

MARKET UPDATE



Canada Beef Quarterly Market Update

March 30, 2022

Presented by: Canfax Research Services

www.canfax.ca



CANADA BEEF

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Publications

- Canada Beef Performs E-Newsletter
- Global Market Intelligence Report
- Domestic Market Intelligence Report
- Canadian Beef Trade

cdnbeefperforms.ca/market-reports

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CANADIAN BEEF

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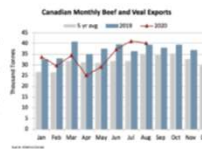
CANADIAN BEEF TRADE

REPORT FOR AUGUST 2020 YTD TRADE

August Exports Stabilize Slightly Above 2019

Canadian beef exports for August 2020 were 40,151 tonnes (\$276 Million), up 2.5% in volume and up 1.1% in value from August 2019. Federally inspected slaughter numbers in August were down 2.7% from last year. Fed cattle slaughter was down 1% from 2019 numbers, while non-fed slaughter was down 14%. Beef exports seem to have peaked in July with a slight decrease in August but remain slightly above 2019 exports. On the domestic front, foodservice continues to recover with growing foot traffic and other economic activities are a positive influence.

Year to date, January through August 2020 beef exports at 270,152 tonnes valued at \$2.09 billion were down 8% in volume and down 1% in value from the same period in 2019.



Country	Year	Canadian \$ (M)		Year Mt Volume (M)		Year Mt Price (\$/kg)					
		2019	2020	2019	2020						
USA	Change	4.9%	1,522,789	1,587,680	-4.3%	211,811	202,089	9.9%	\$7.20	\$7.91	
Japan	Change	-8.9%	231,716	211,112	-9.3%	32,450	29,454	0.4%	\$7.14	\$7.17	
Hong Kong	Change	-24.4%	93,529	69,862	-4.9%	9,033	8,587	-20.4%	\$10.24	\$8.19	
Mexico	Change	-29.1%	83,073	58,150	-4.2%	10,539	7,722	-4.2%	\$7.91	\$7.88	
China	Change	-8.3%	26,885	24,867	-1.9%	3,019	3,058	-6.4%	\$7.05	\$6.84	
Other	Change	266.0%	4,286	15,686	7	236.6%	422	2,717	-16.2%	\$6.80	\$5.77
Taiwan	Change	-18.6%	16,344	13,267	-15.8%	1,878	1,669	-9.5%	\$8.26	\$7.87	
United Kingdom	Change	14.6%	4,276	10,401	12.2%	722	865	2.2%	\$12.05	\$12.28	
South Africa	Change	64.9%	4,390	7,139	59	76.2%	379	562	11.4%	\$13.57	\$12.30
South Korea	Change	68.9%	3,001	5,061	70	106.9%	134	276	18.1%	\$22.39	\$18.34
Italy	Change	106.7%	291	3,462	1,071.5%	19	204	14	12.0%	\$11.09	\$16.00
Philippines	Change	64.2%	5,142	2,363	-78.1%	1,560	342	108.7%	\$3.91	\$4.91	
United Arab Emirates	Change	-51.3%	3,970	1,932	-51.9%	391	189	1.9%	\$11.31	\$11.45	
Angola	Change	-2.3%	1,820	1,818	-0.1%	1,814	1,816	-0.2%	\$9.87	\$10.67	
Other	Change	-22.7%	14,910	11,526	-23.3%	8,533	6,201	6.4%	\$1.75	\$1.87	
Overall Total	Change	-1.2%	2,112,237	2,091,480	-0.8%	262,953	276,152	0.1%	\$7.23	\$7.24	

Source: Statistics Canada and AIC

Market Update

Canada Beef well contained the fresh COVID-19 and has had no more than four weeks of inspections on products remains strict also found in samples.

In June, China beef value (\$52.8M), 76% drop, 17.7% on 25 beef sales benefiting sales with Canadian beef. The reversion of US and control measures joined Canadian beef also limit supply on Australian beef and as well as China's beef being opportunity.

It is to contain the 3rd at and the daily new deaths. The government COVID-19 on Sept. 1 they weeks in the hope also patients in the industry to make and.

Indicator	Change	Last 3 Mth	Prev 3 Mth
Consumer Confidence	-1.1	115	122
Commerce (Year + 12M)	-2.1	6.56	7.11
Inflation (%)	-3.7	2.53	4.26
Interest Rates (%)	-0.1	3.85	3.95
Unemployment (%)	-0.3	5.79	6.03
Stock Market (DOW)	1.1	3243	2826

Restrictions	Volume	Price	Import/Distribution	
			Volume	Price
None	Average	Average	Average	Average
High	Input	Very Low	Average	Average
High	Input	Very Low	High	Average
High	Average	None	Average	Average
High	Average	None	Average	Average
High	Average	None	Average	Average

Confidential Not for Distribution



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Domestic Market

March 30, 2022



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Agenda

- GDP, employment, confidence
- Inflation and interest
- Supply chains and labour
- Wholesale market
- Retail
- Food service

Source: Statistics Canada



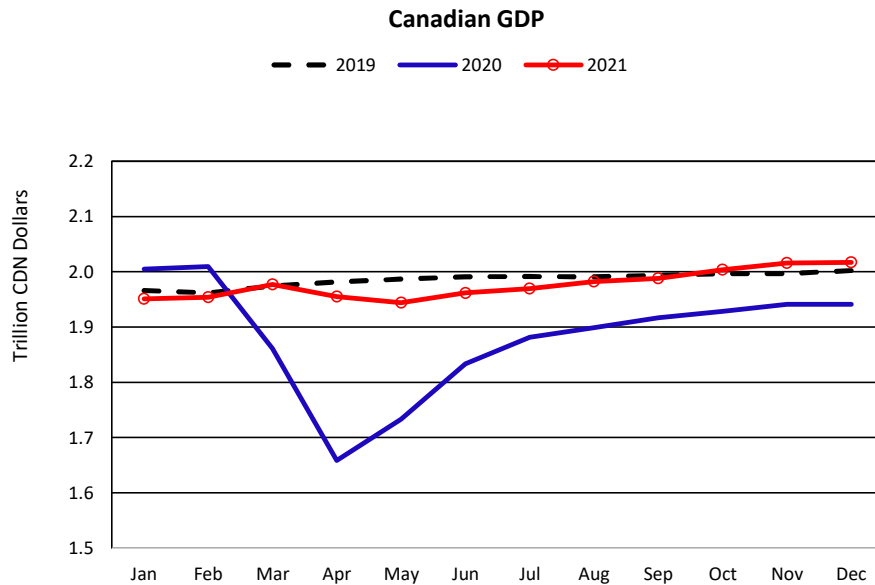
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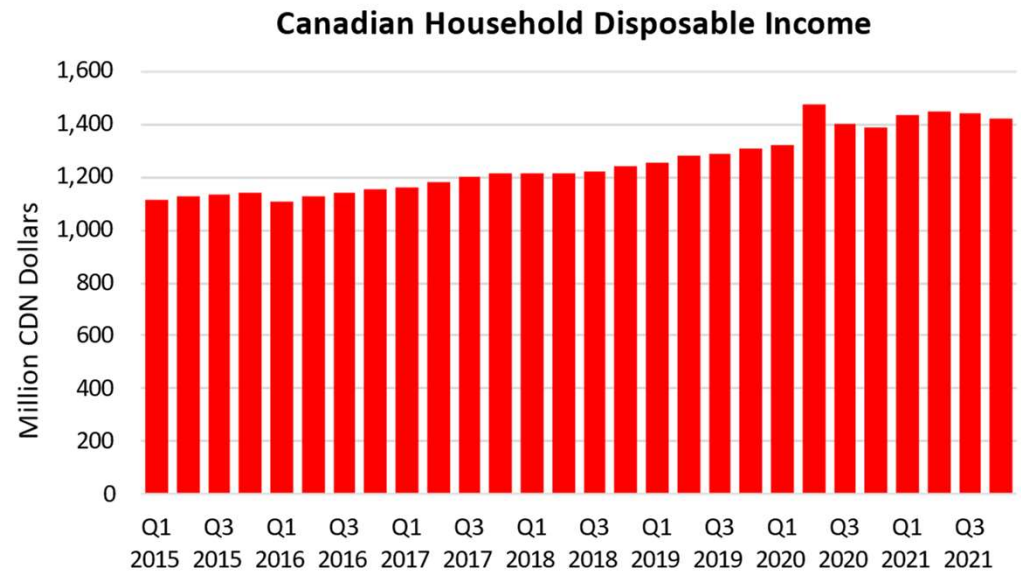
Real GDP: Q4 2021 up 3.9% from Q4 2020

Real GDP up 3.6% in 2022 – Source: National Bank of Canada Monthly Economic Monitor

- Households well positioned, HDI up 3% in Q4 2021 but costs rising



Source: Statistics Canada



Source: Statistics Canada



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Real GDP: Growth at basic prices, by industry

**Industries where real GDP in 2021 is below 2019*

- In 2021, **accommodation and food service*** among top 5 growth industries by GDP, +14.2% from 2020
- 2021 set-backs, marginal growth in **energy sector,* transportation and warehousing,* utilities,* agriculture***

- Source: Statistics Canada

Bottom 5 Growth Industries 2021	% Change 2021/2020
Energy sector	2.6%
Transportation and warehousing	1.3%
Utilities	-1.4%
Agriculture, forestry, fishing and hunting	-8.1%
Management companies	-26.4%

Source: Statistics Canada

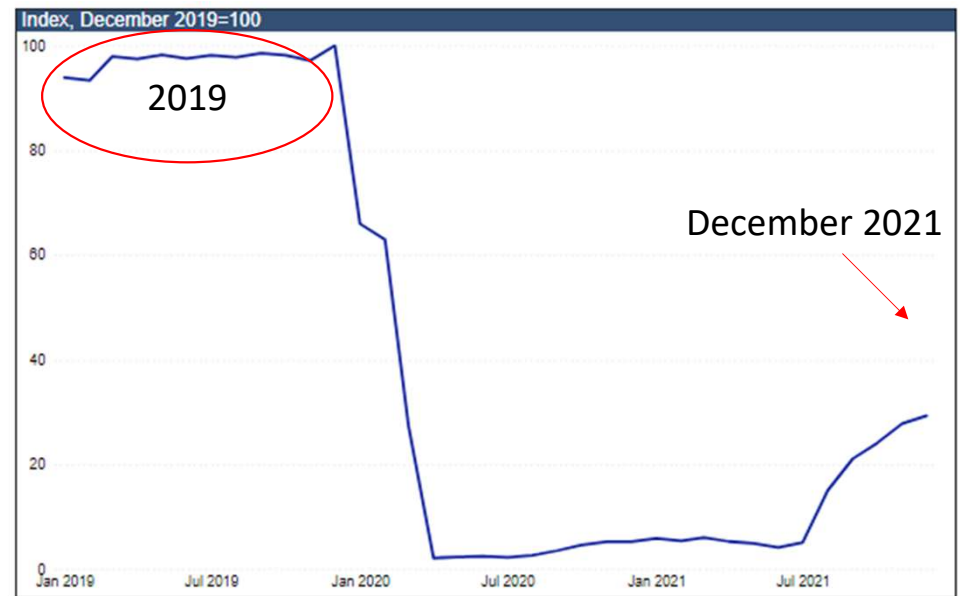
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Real GDP: Growth at basic prices, by industry detail

Industry Details	% Change 2021/2020	% Change 2021/2019
Air Transport	-30.6%	-80.9%
Accommodations	+13.9%	-31.9%
Food Service and Drinking Places	+14.3%	-20.8%
Animal Production	+1.7%	+2.0%
Crop Production (except cannabis)	-25.5%	-23.2%
Pesticides, fertilizer and other agriculture chemical	+29.4%	+32.3%

US Travellers to Canada



Source: Statistics Canada

Source: Statistics Canada

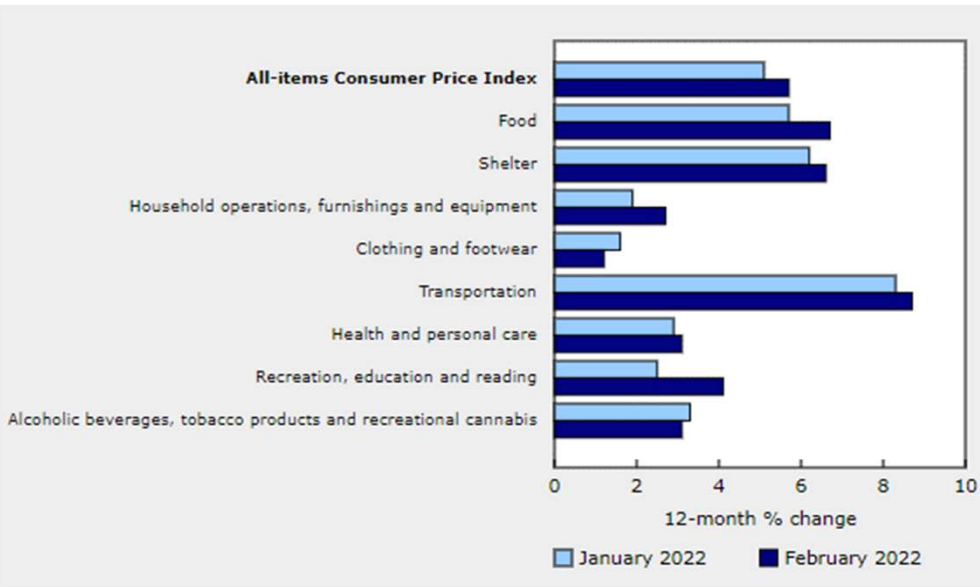
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2022 Inflation and interest

CPI rose 3.4% in 2021. Fastest since 1991. Inflation up 5.7% Feb 2022

All-items Consumer Price Index



Source: Statistics Canada

Bank of Canada Meetings

Date	Target Overnight Rate	Change
January 26, 2022	0.25%	Same
March 2, 2022	0.5%	0.25%
April 13, 2022	TBD	-
June 1, 2022	TBD	-
July 13, 2022	TBD	-
September 7, 2022	TBD	-
October 26, 2022	TBD	-
December 7, 2022	TBD	-



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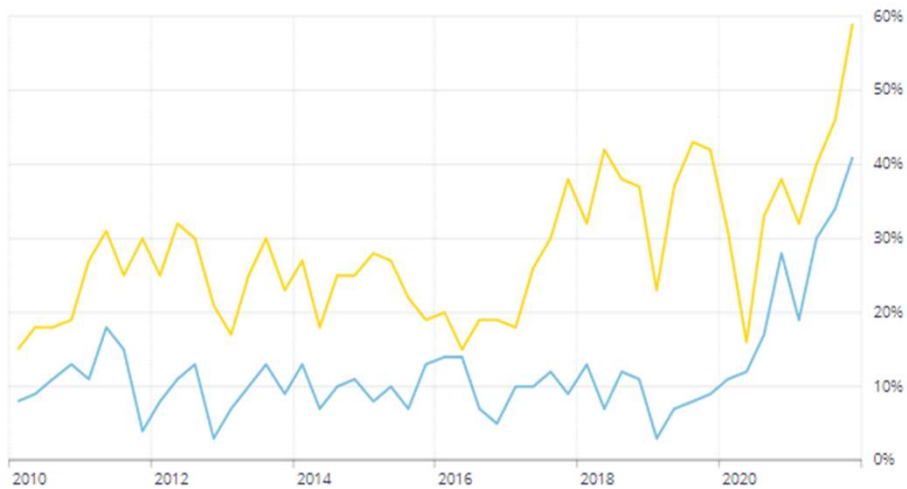
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2022 Supply Chains and Labour

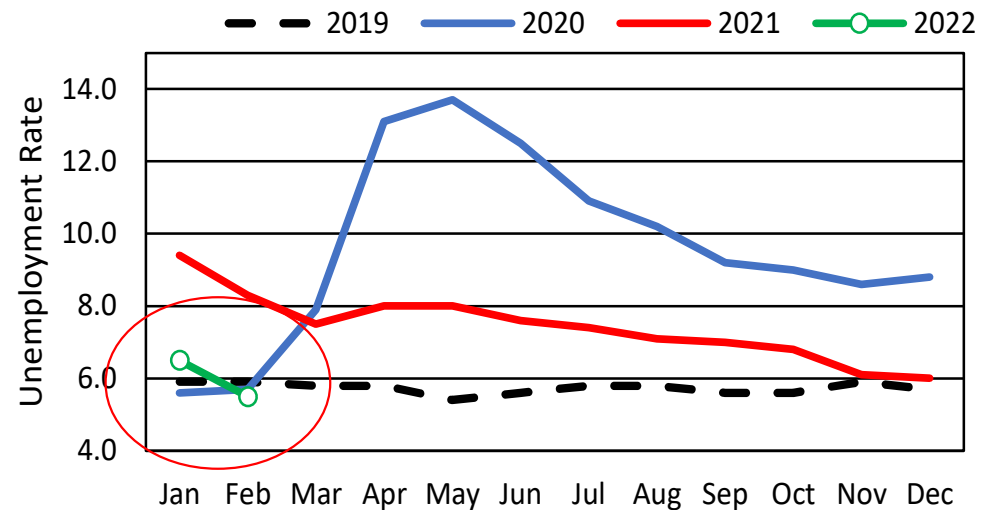
Unemployment rate 5.5% in February but job vacancies record high

Firms reporting supply chain bottlenecks (blue)
and firms reporting labour bottlenecks (yellow)



Source: Bank of Canada Business Outlook Survey

Canadian Unemployment

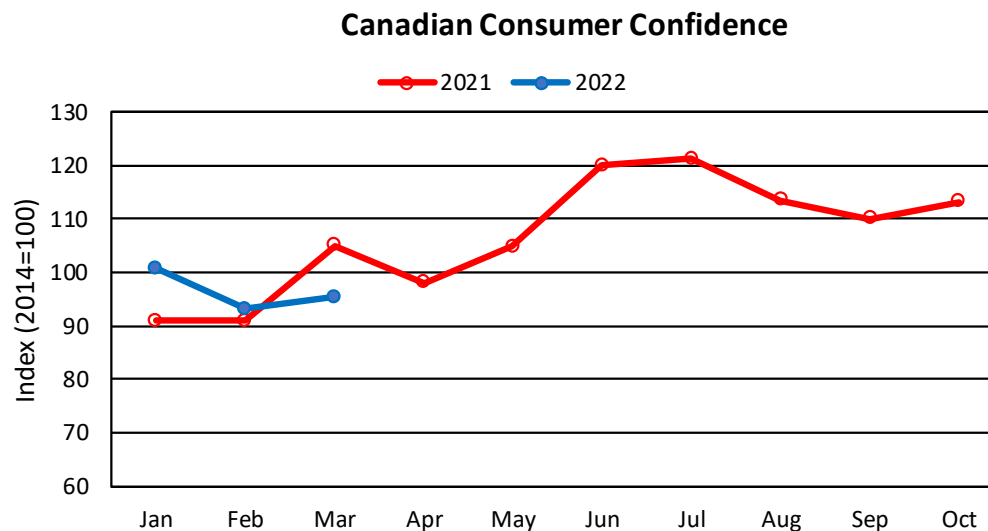


Source: Statistics Canada

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2022 Consumer Confidence *Recovers 2 points to 95.3 in March*

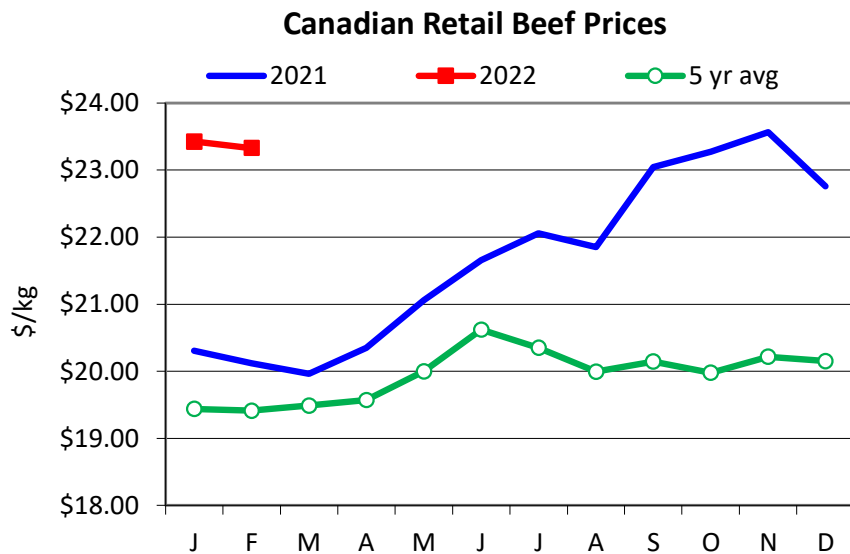


Source: Conference Board of Canada

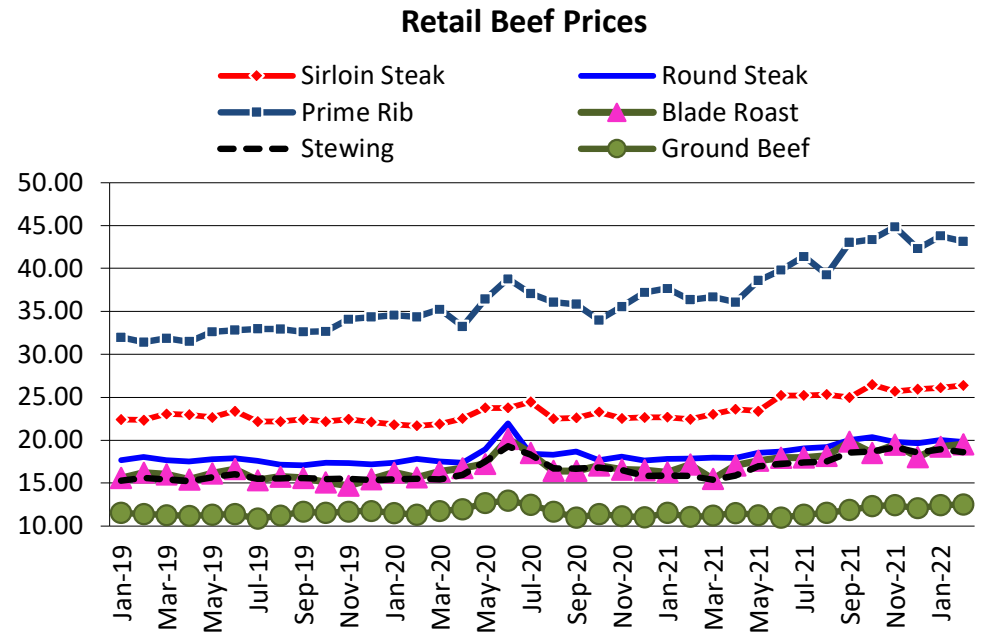
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2022 Retail beef price +15.6% YTD (Jan-Feb) from YTD 2021 February -0.4% from January



Source: Statistics Canada



Source: Statistics Canada

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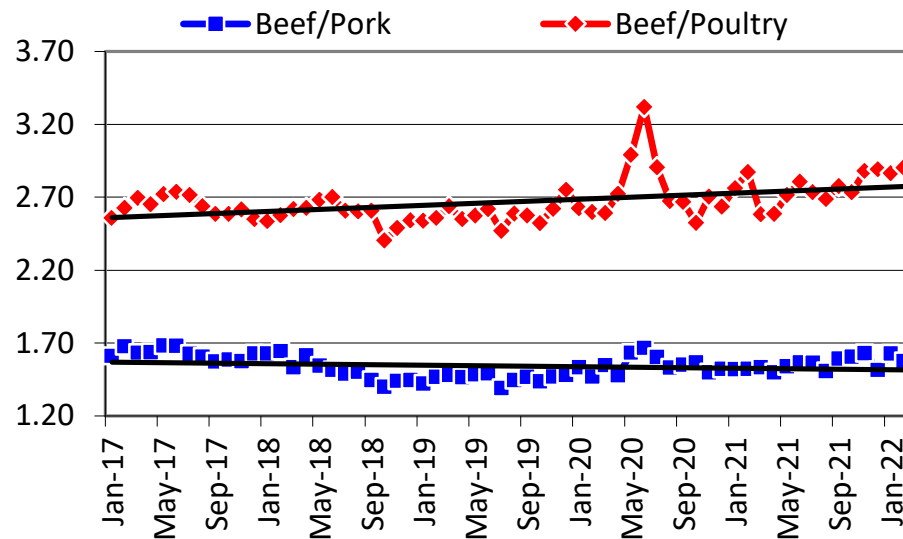


Retail Price Ratios

2.9 for beef: chicken and 1.58 for beef: pork in February 2022

- **Continued higher range encouraging substitutes at home? Maybe not...**

Relative Price Ratios of Meat at Retail



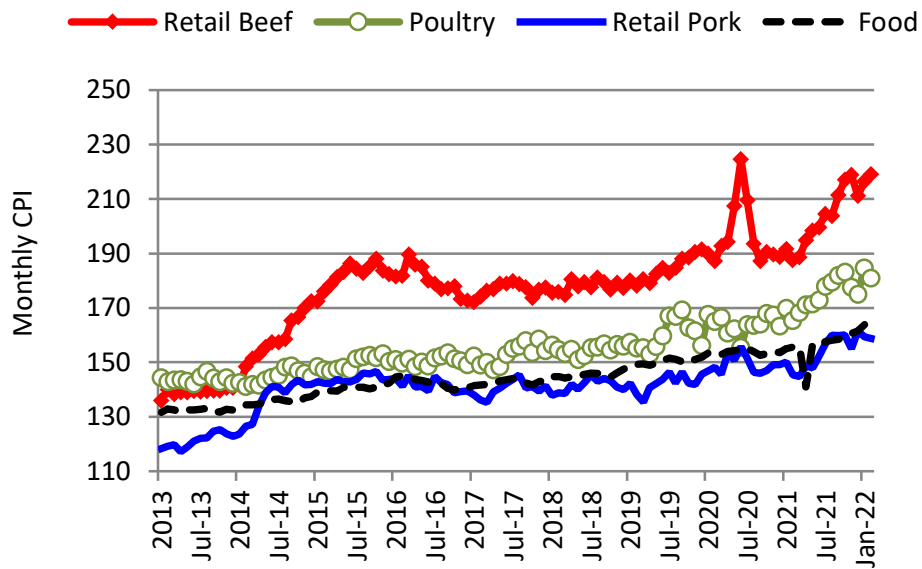
Source: Statistics Canada

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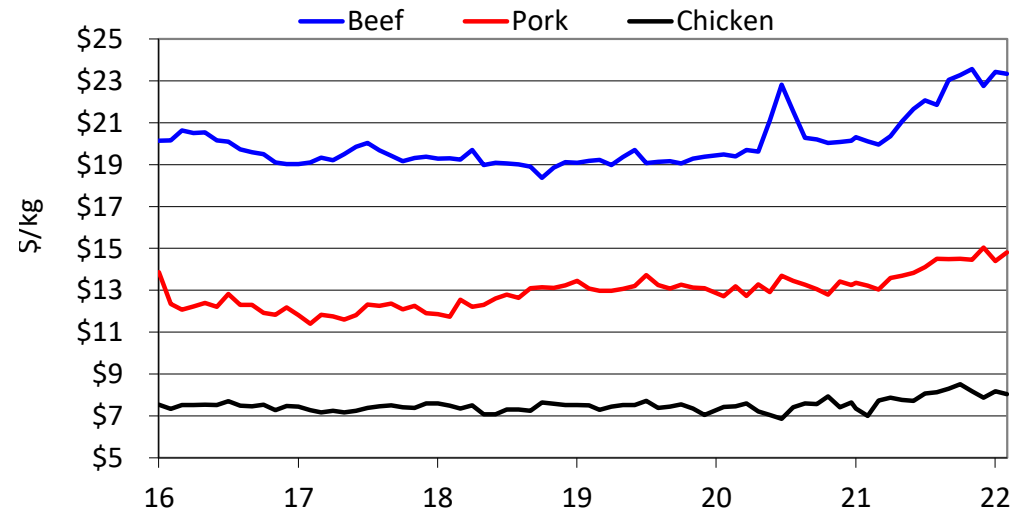
Substitutes? All protein prices in a higher range

Consumer Price Index



Source: Statistics Canada

Canadian Retail Meat Prices (Nominal)



Source: Statistics Canada



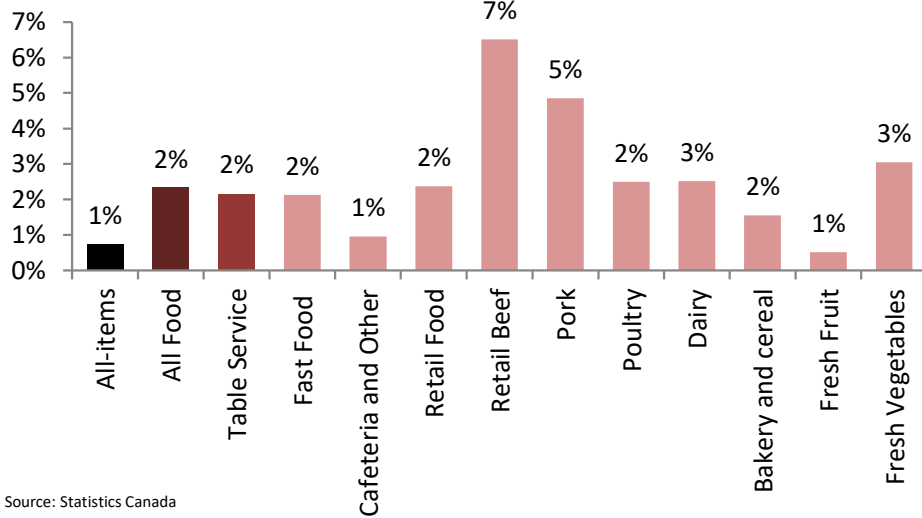
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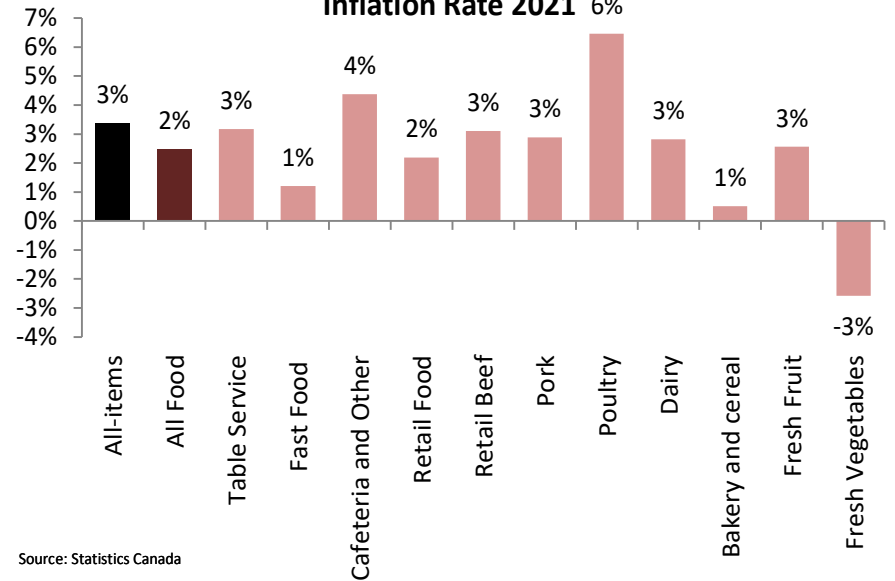
Substitutes? Poultry is the price increase leader for 2021, +6%

Inflation Rate 2020



Source: Statistics Canada

Inflation Rate 2021



Source: Statistics Canada

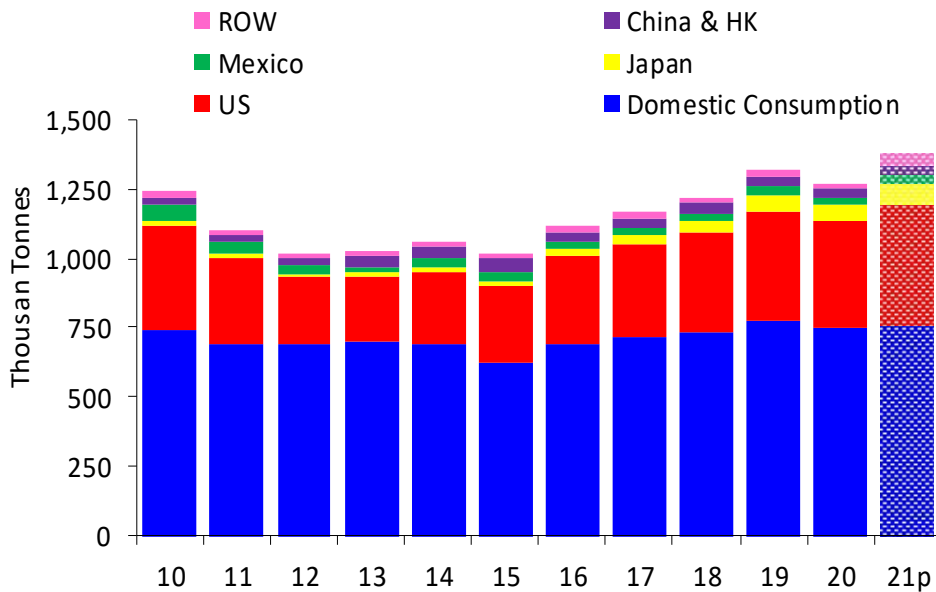
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Domestic beef consumption

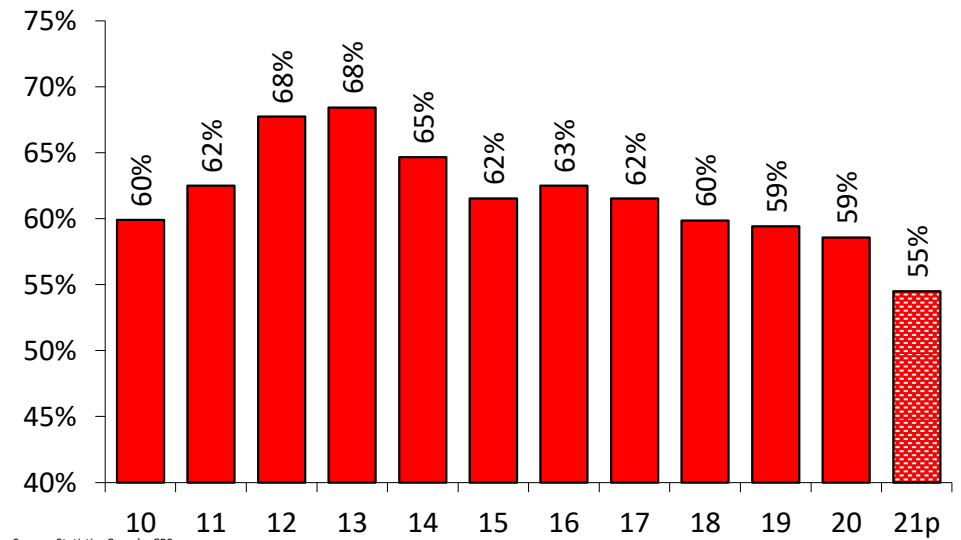
Projected to be down 2.8% in 2021p with more beef exported

Disposition of Canadian Beef



Source: Statistics Canada, CRS

Domestic Consumption of Canadian Beef as a % of Total Beef Production



Source: Statistics Canada, CRS

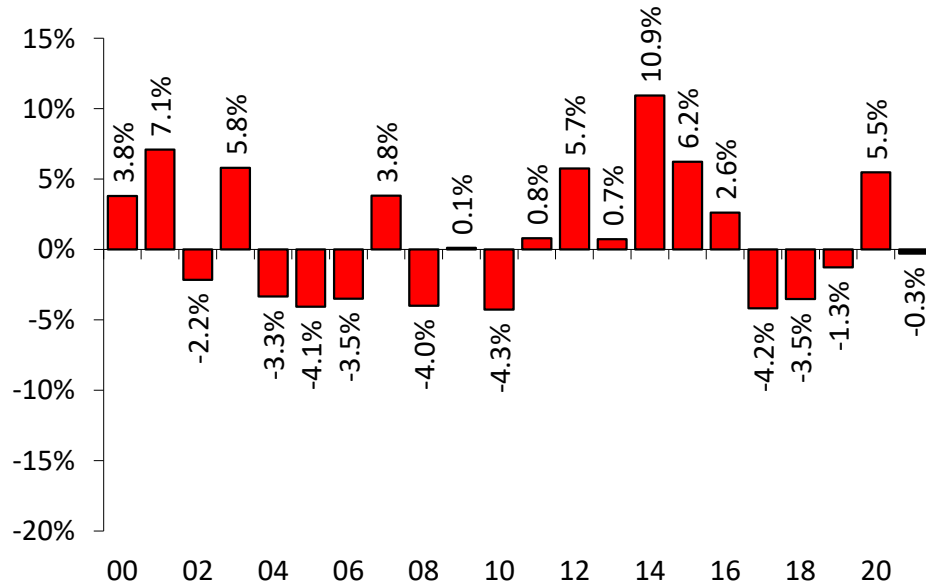
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Retail beef demand projected to be -0.3%, still historically high

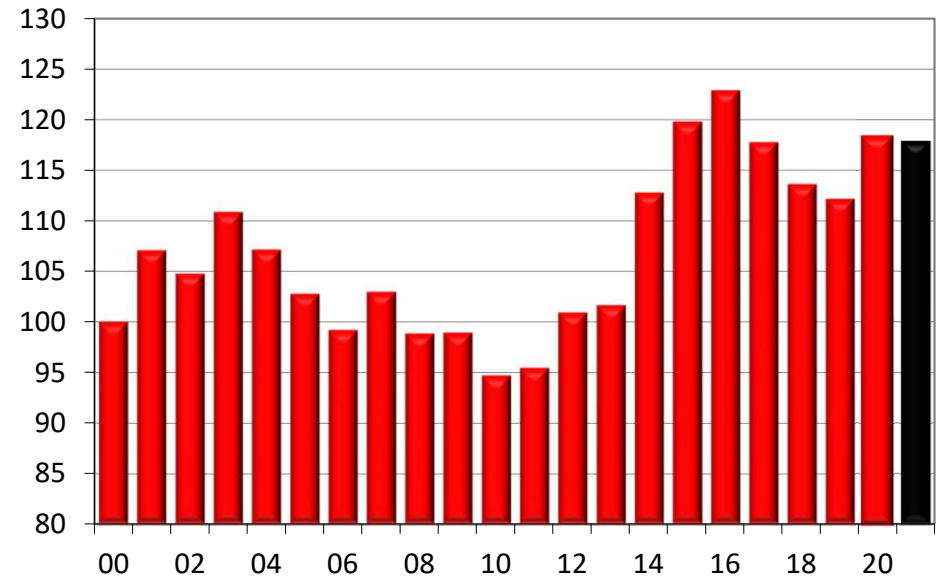
Higher retail prices and lower consumption

Yr/Yr % Change in Canadian Retail Beef Demand



Source: CanFax Research

Canadian Retail Beef Demand Index
(Index 2000=100)



Source: CanFax Research



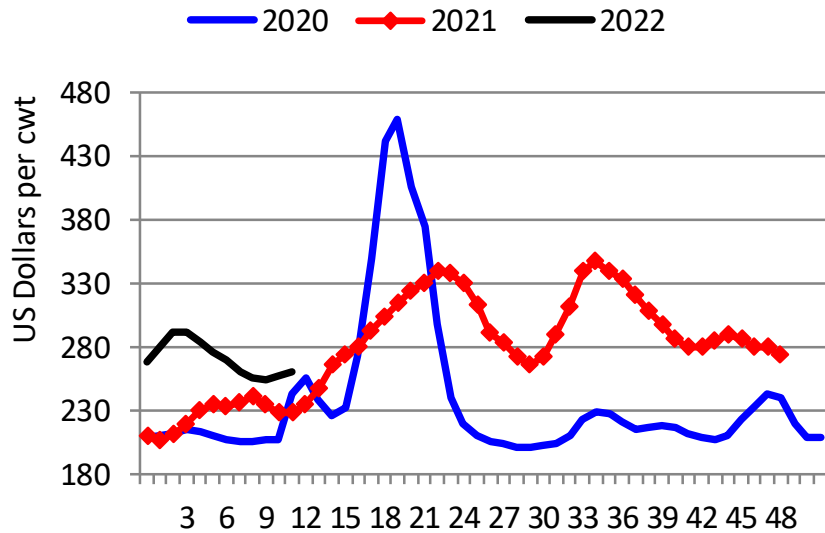
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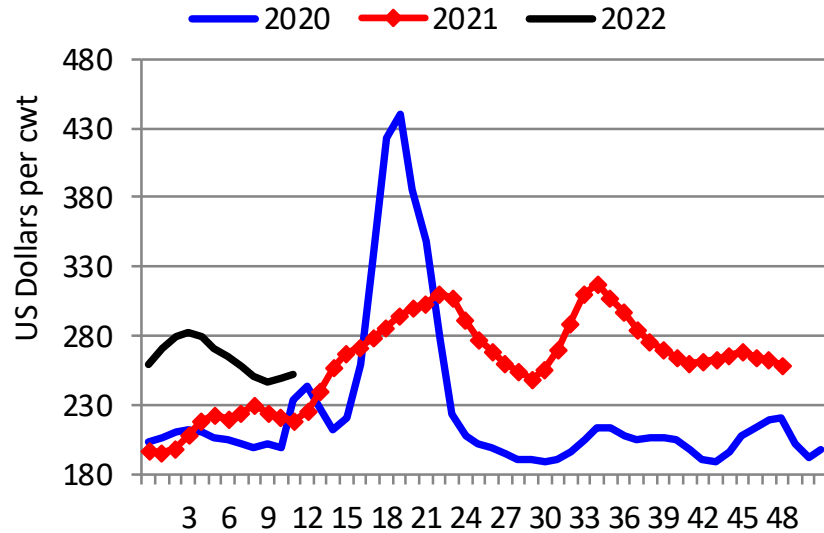
Wholesale cutout prices *YoY February Choice +15% and Select +20%*

US Weekly Choice Cutout Values



Source: USDA

US Weekly Select Cutout Values



Source: USDA



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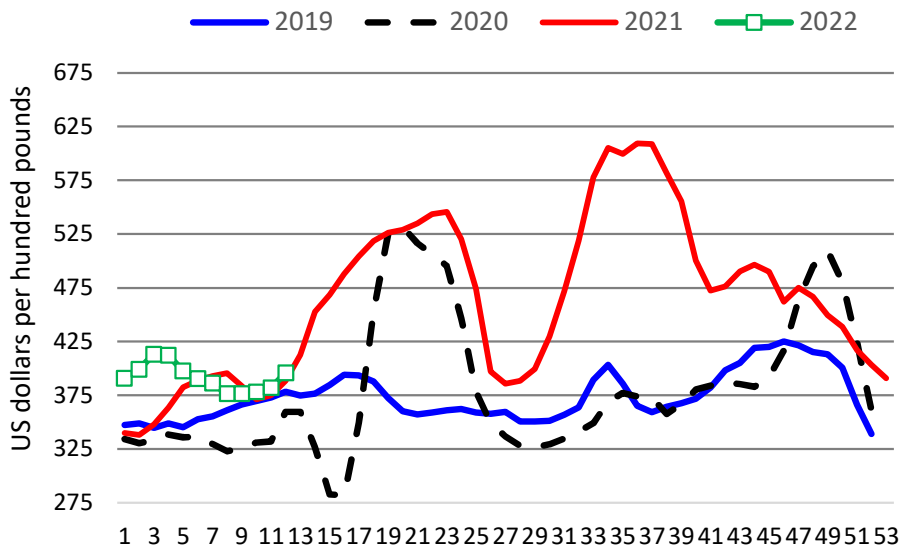
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Choice rib prices soften

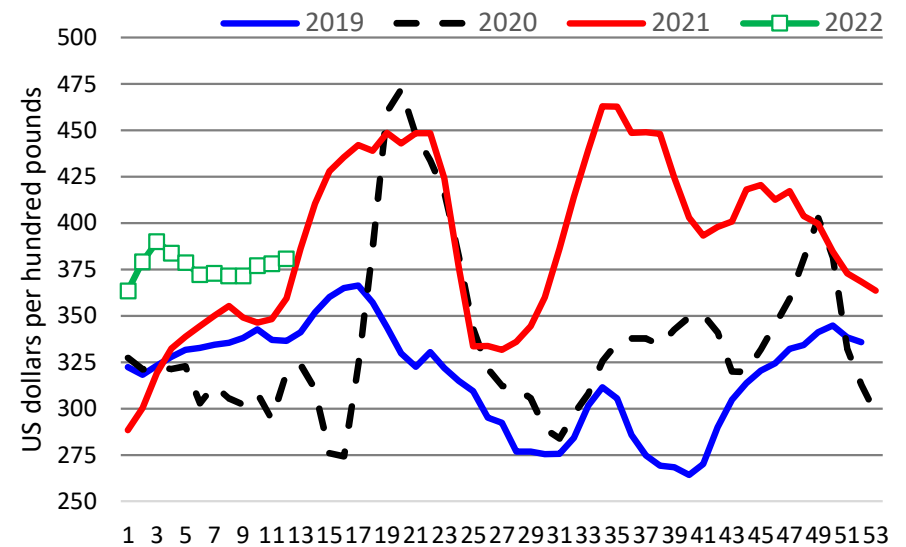
February 2022 YoY Choice -0.6% and Select +8%

US Weekly Choice Rib Values



Source: USDA

US Weekly Select Rib Values



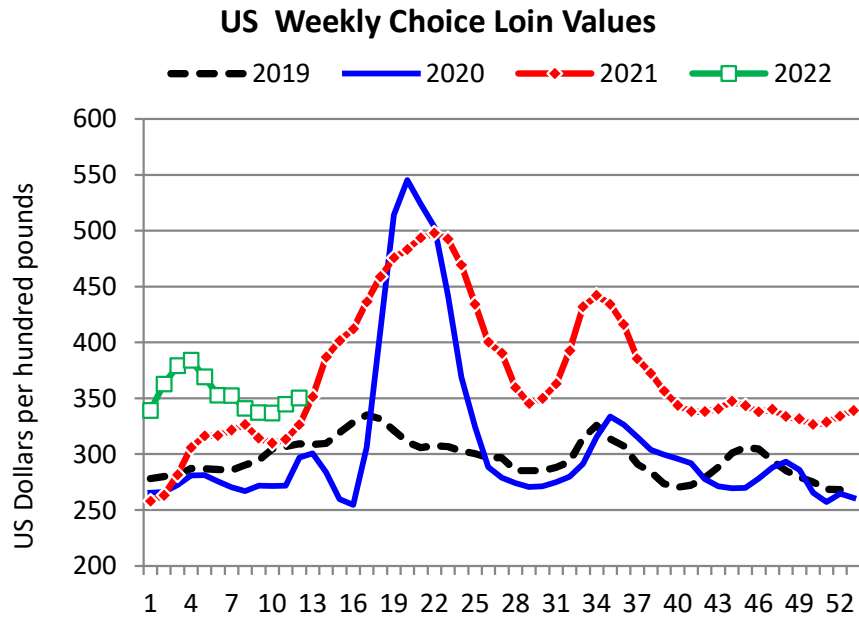
Source: USDA

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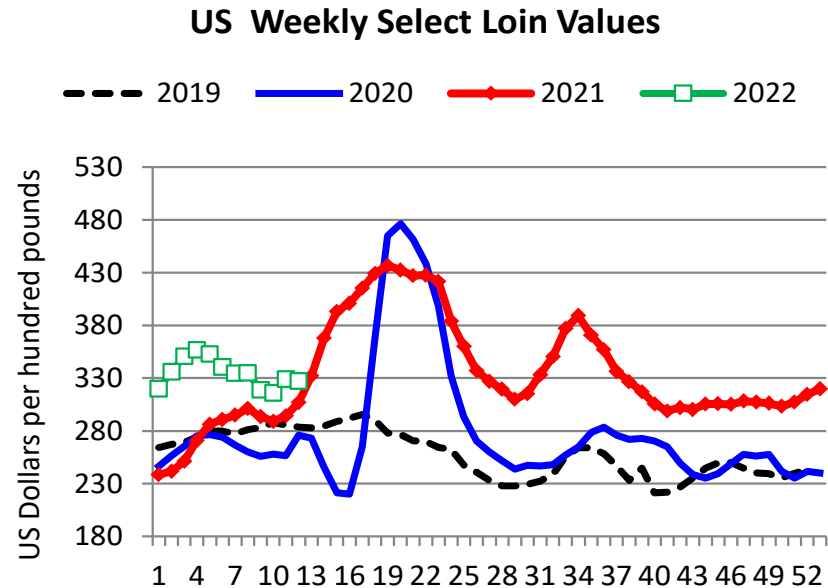


Loin prices strong

February 2022 YoY Choice +11% and Select +16%



Source: USDA



Source: USDA



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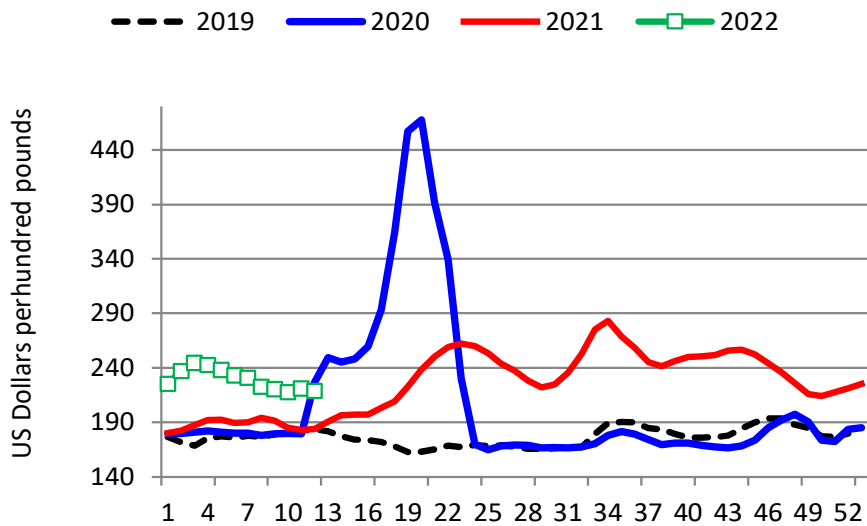
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Round price strength

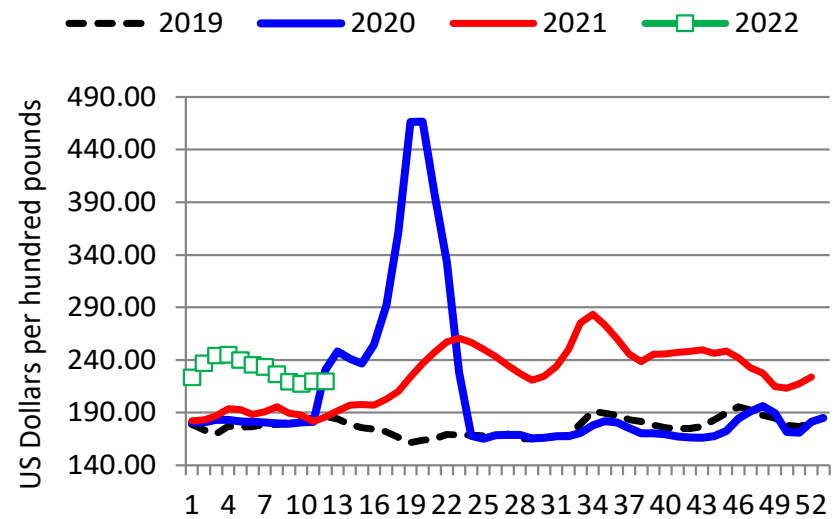
February 2022 YoY Choice +21% and Select +22%

US Weekly Choice Round Values



Source: USDA

US Weekly Select Round Values



Source: USDA

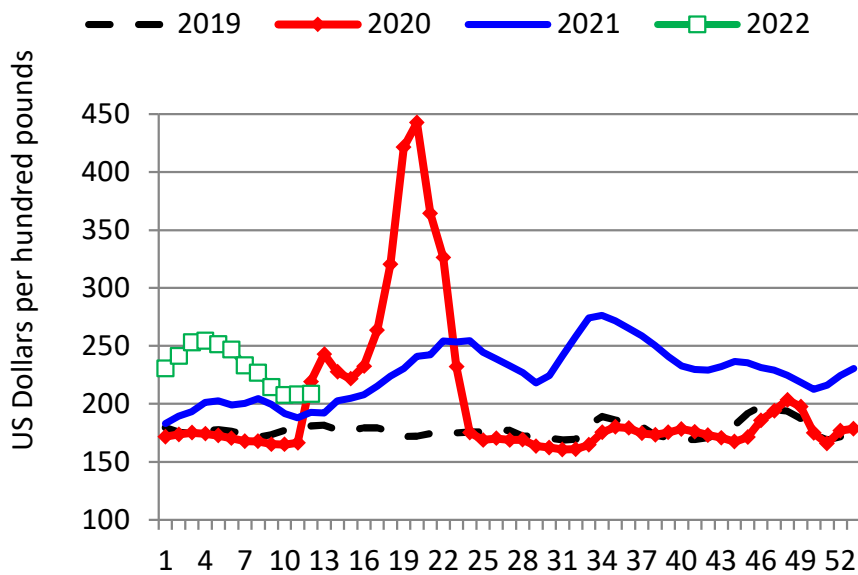
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Chuck price strength

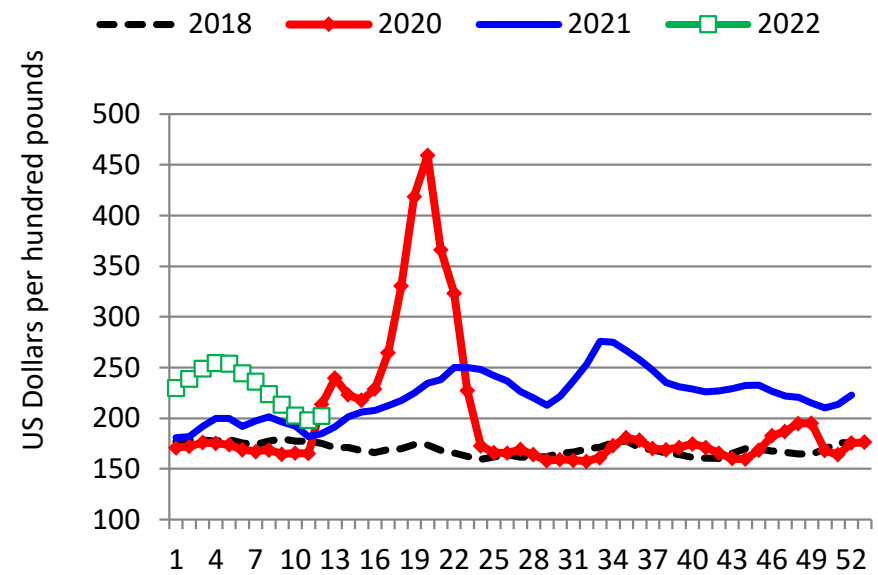
February 2022 YoY Choice +19% and Select up 21%

US Weekly Choice Chuck Values



Source: USDA

US Weekly Select Chuck Values



Source: USDA

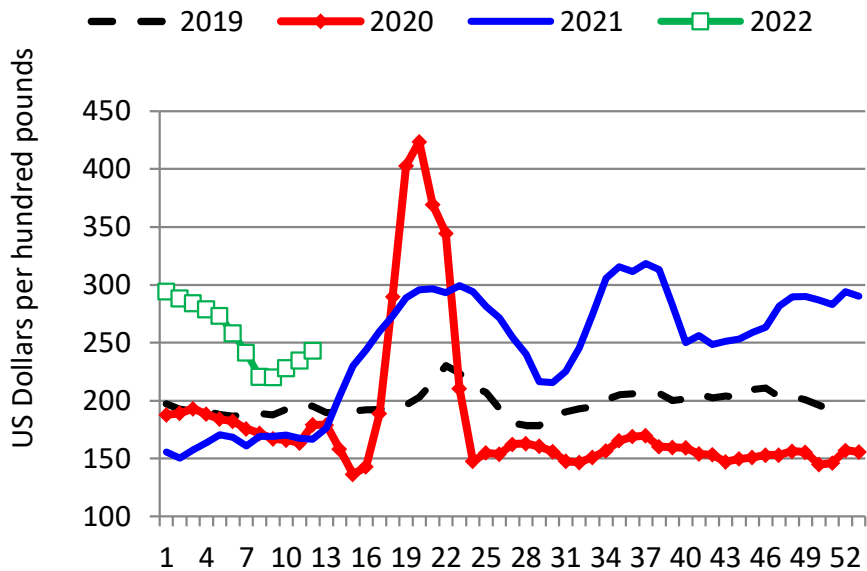
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Brisket correction; rallies again

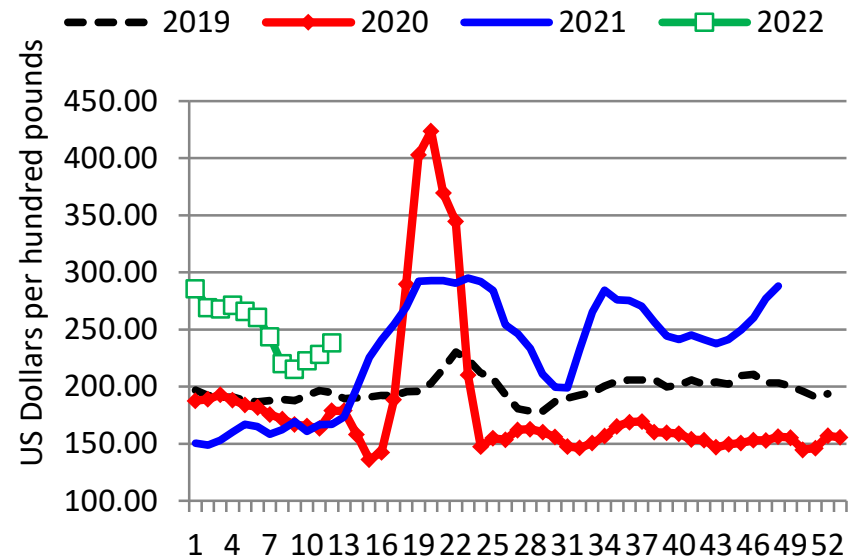
February 2022 YoY Choice +49% and Select up 51%

US Weekly Choice Brisket Values



Source: USDA

US Weekly Select Brisket Values



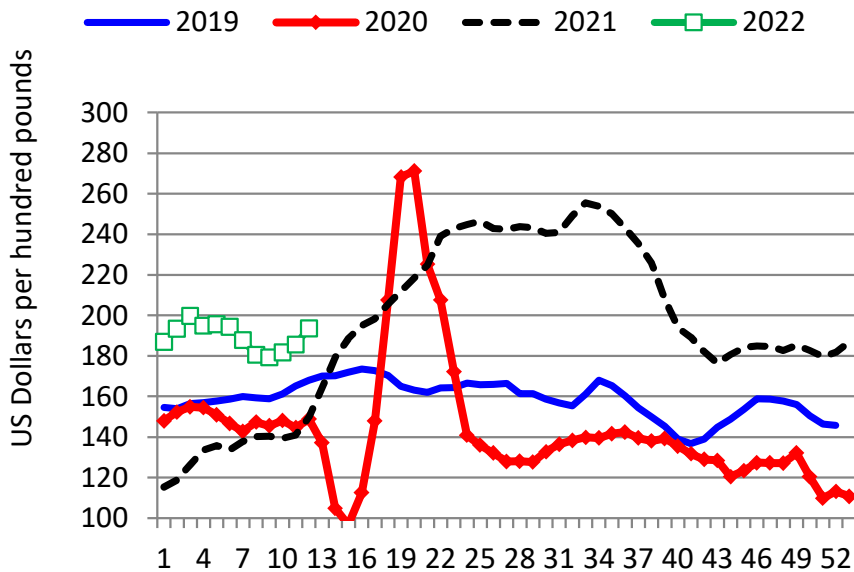
Source: USDA

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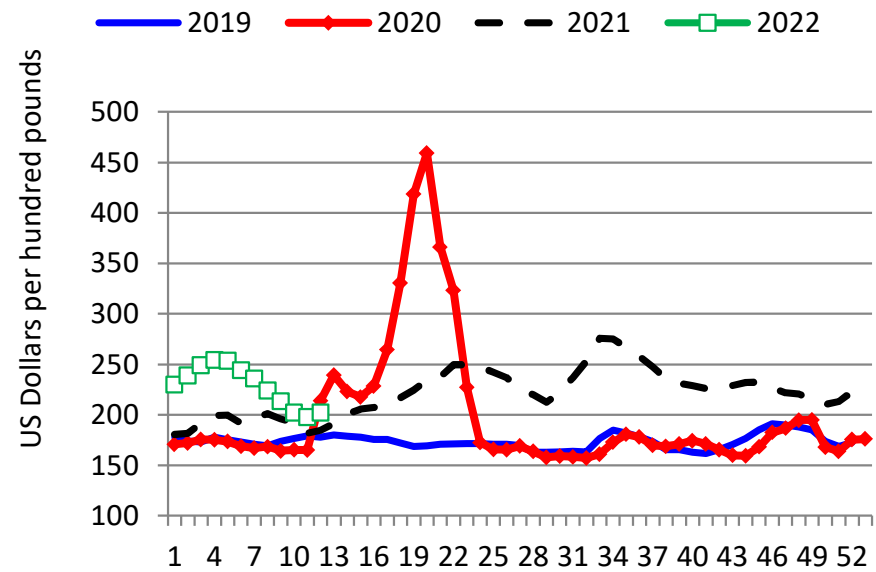
High quality short plate preference February 2022 YoY Choice and Select both +38%

US Weekly Choice Short Plate Values



Source: USDA

US Weekly Select Short Plate Values



Source: USDA



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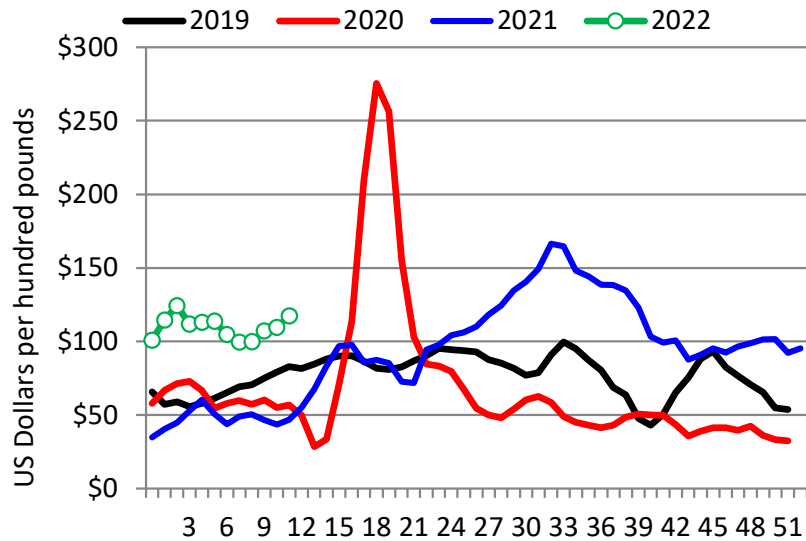
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US trim prices have been very strong

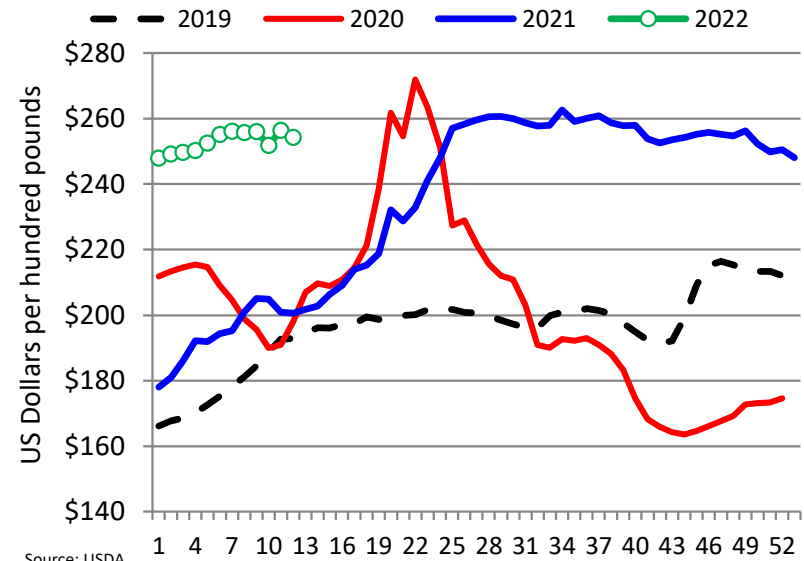
February 2022 YoY 50% trim +123% and 85% trim +28%

US Weekly 50% Trim Values



Source: USDA

US Weekly 85% Trim Values



Source: USDA



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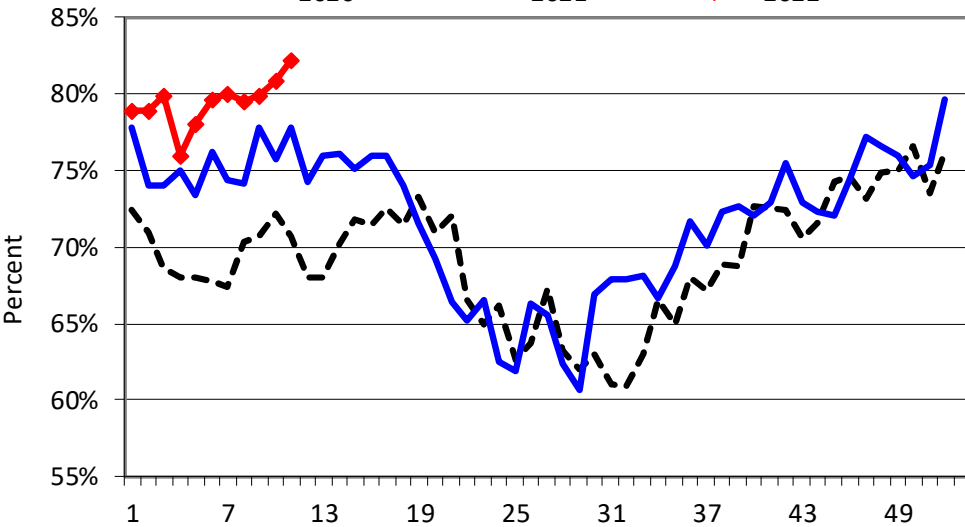
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YTD (Jan-Feb) 'Prime+AAA' grading at 79% of all 'A' grades
Compared to 75% YTD 2021, and 70% YTD for the 5 yr avg

Canadian AAA+Prime as % of all A Grades

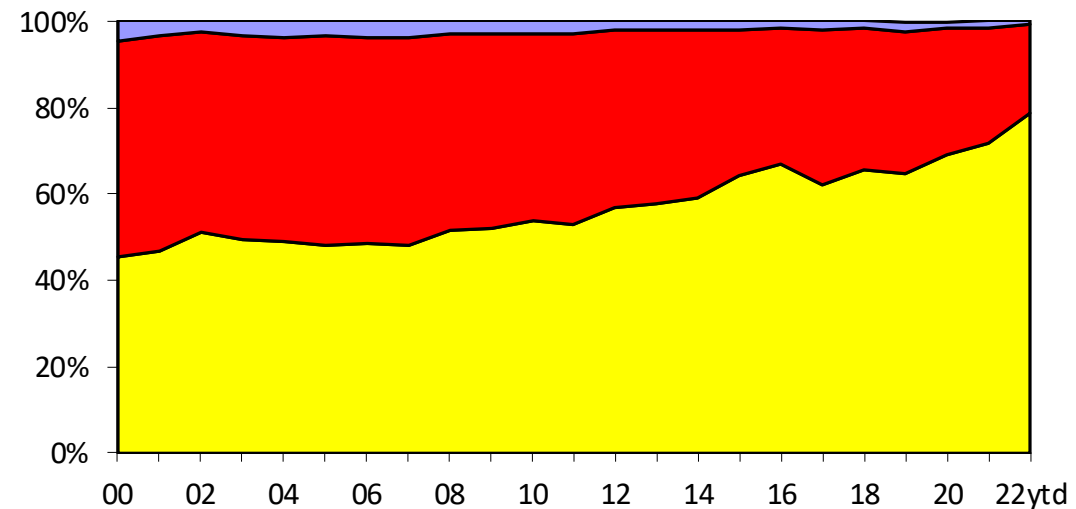
--- 2020 — 2021 —◆— 2022



Source: CBGA

Breakdown of A, AA and AAA Grades
 % of Canadian Total A Grades

■ AAA+Prime ■ AA ■ A



Source: CBGA



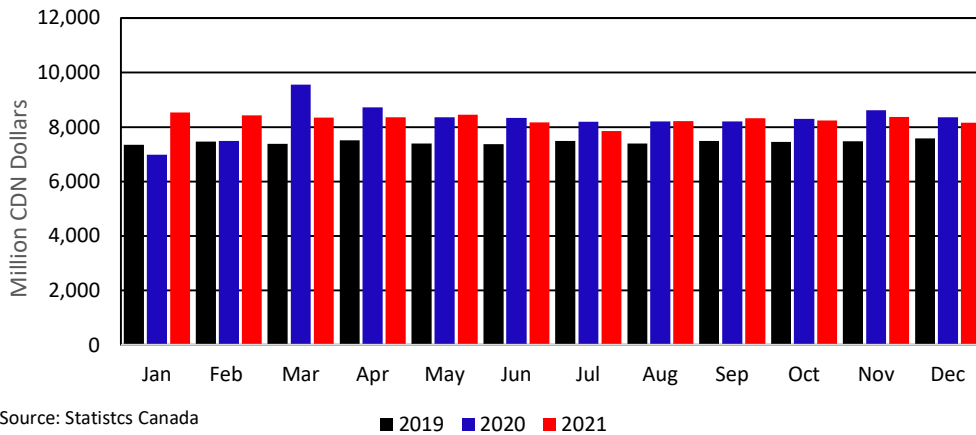
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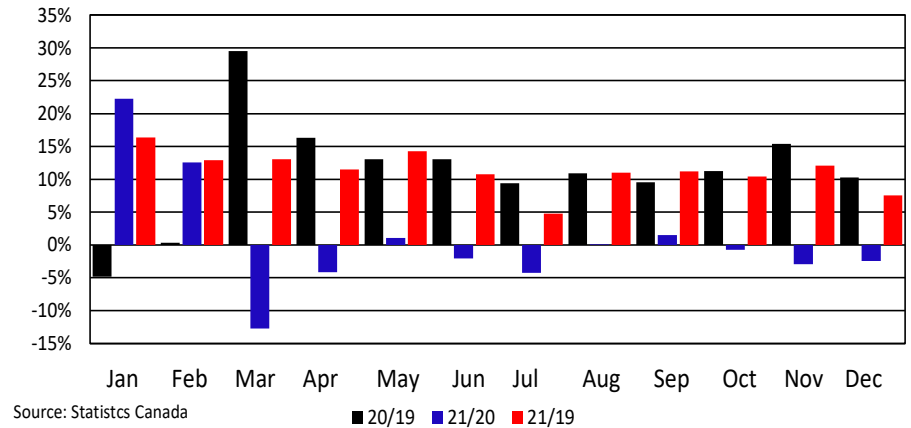


Supermarket and grocery sales soften in 2021 Q4 YoY sales dollars -2%

Monthly Canadian Supermarket and Grocery Sales



Monthly % Change in Canadian SuperMarket and Grocery Sales



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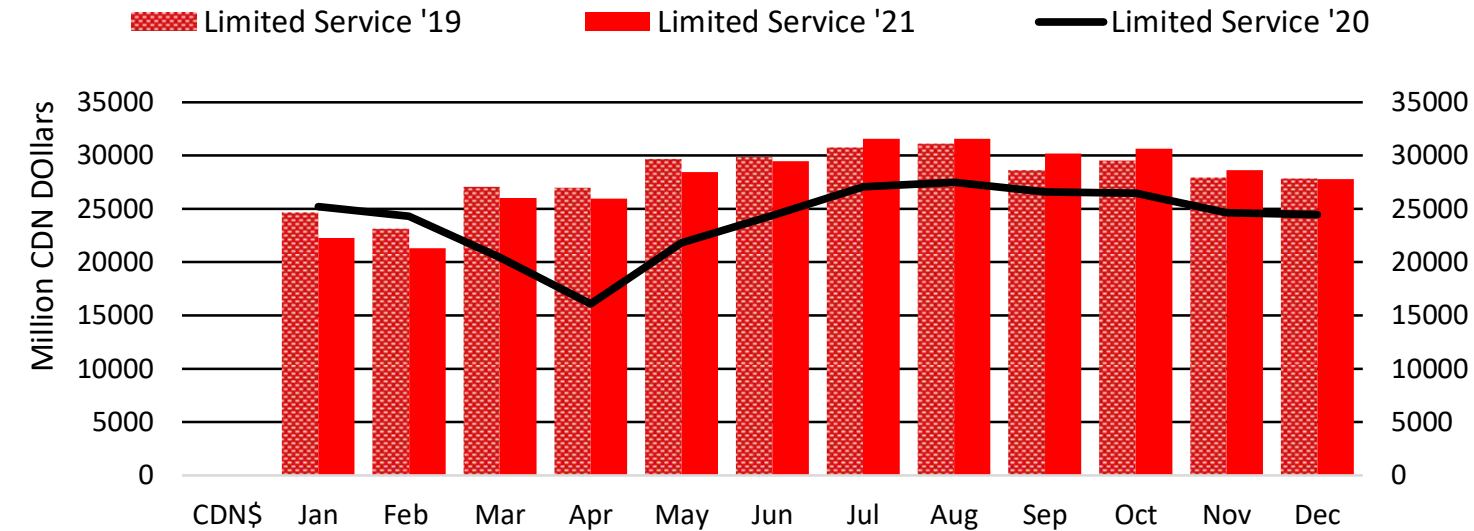
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Limited service

Sales were up 16% from 2020 and just 1% below 2019 levels

Canadian Limited Service Sales



Source: Statistics Canada

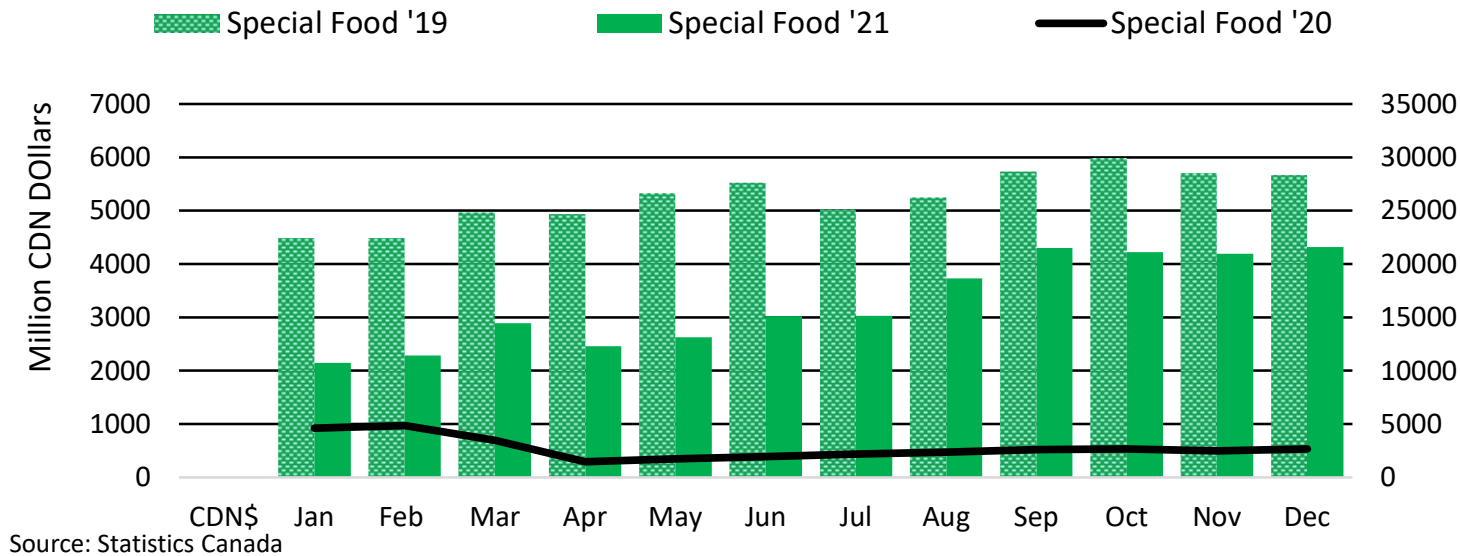
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Special food service

Sales were up 19% from 2020 but down 38% from 2019

Canadian Special Food Service Sales



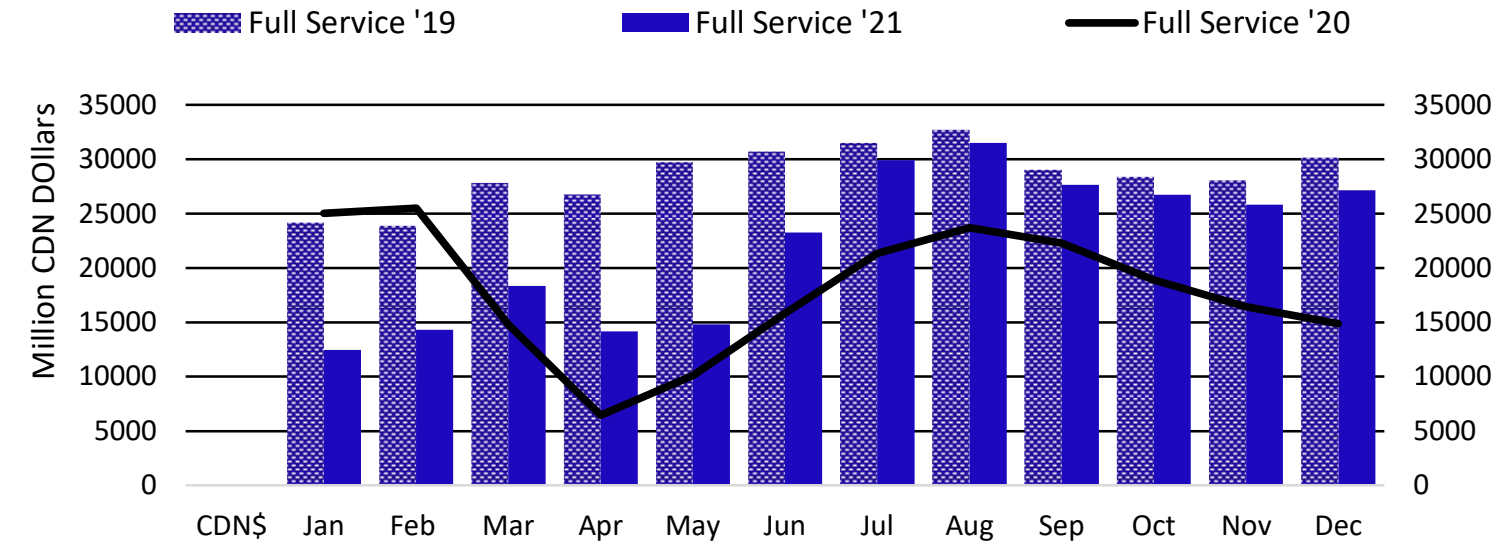
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Full service

Sales were up 24% from 2020, but down 22% from 2019

Canadian Full Service Sales



Source: Statistics Canada

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Outlook for Q2 2022

Bullish

- Increasing travel
- Lower unemployment
- Easing restrictions
- Continued consumer demand

Bearish

- Limited supply of basic goods
- Rising input costs
- Shrinking household savings
- Interest rate hikes
- Supply chain disruptions for 2022
- Potential switching to substitutes
- Sanctions





Supply Outlook

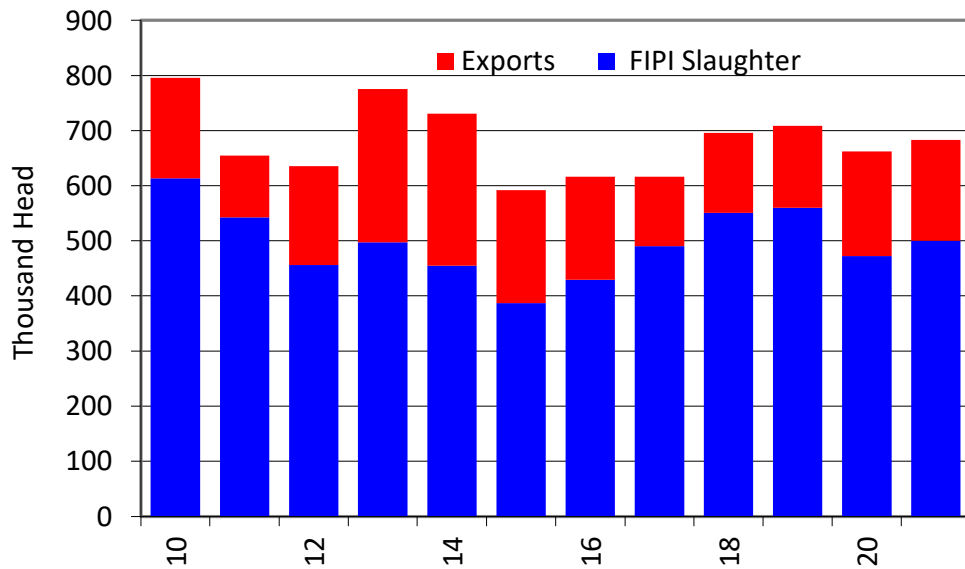


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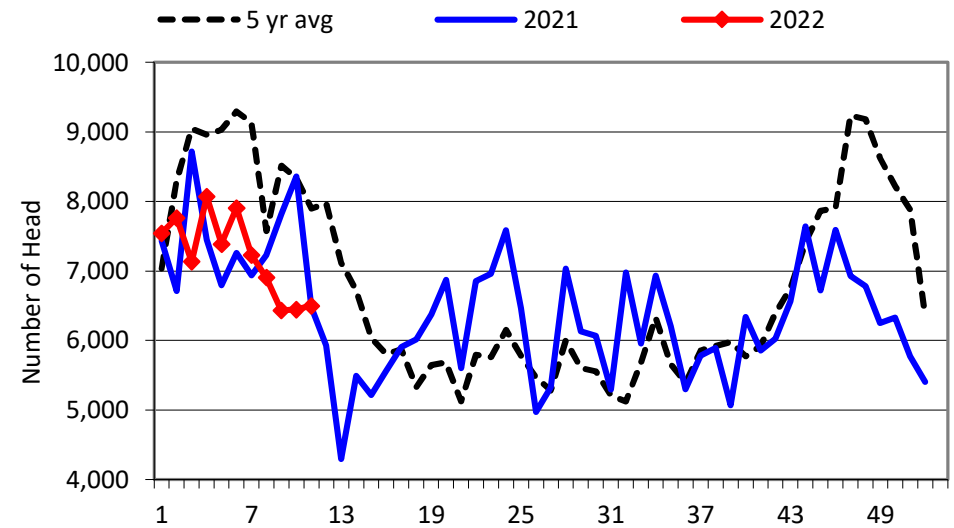
Cow marketings in 2021 up 3.2%, below 2019 levels
Beef Cow # Jan 1, 2022 -0.9% at 3.5 million head

Canadian Slaughter Cow Marketings



Source: CBGA, AAFC, Statistics Canada

Western Canada F.I. Cow Slaughter



Source: CBGA

Cow slaughter is up 4% YTD (East +25%, West -2%)
January cow exports steady with last year

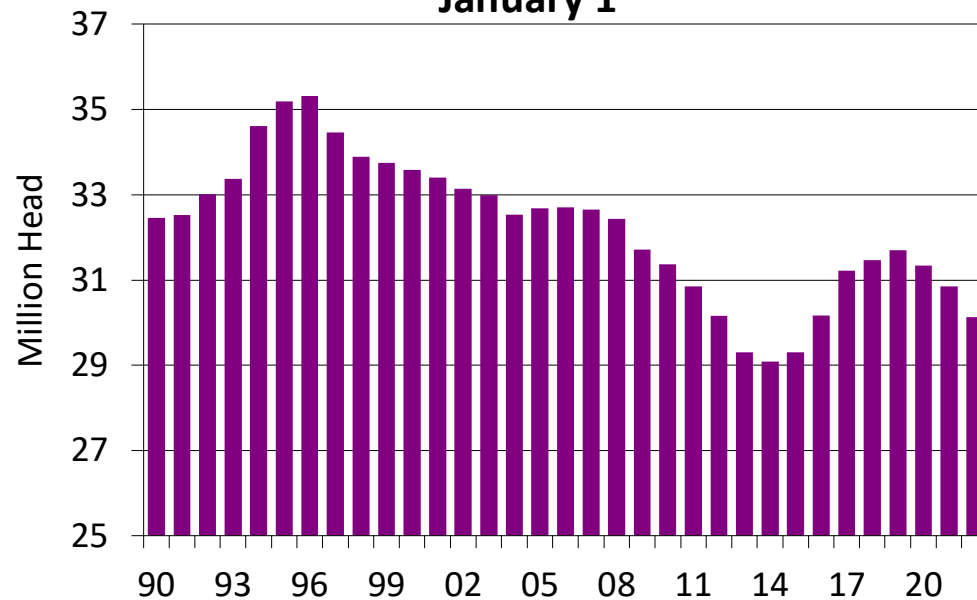


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U.S. cattle herd continues to contract with drought and high feed costs driving reductions

U.S. Beef Cow Inventory
January 1



Beef Cows -2.3%
Down 5% from the
2019 peak

Bred heifers -3.3%

Source: USDA, Cattlefax



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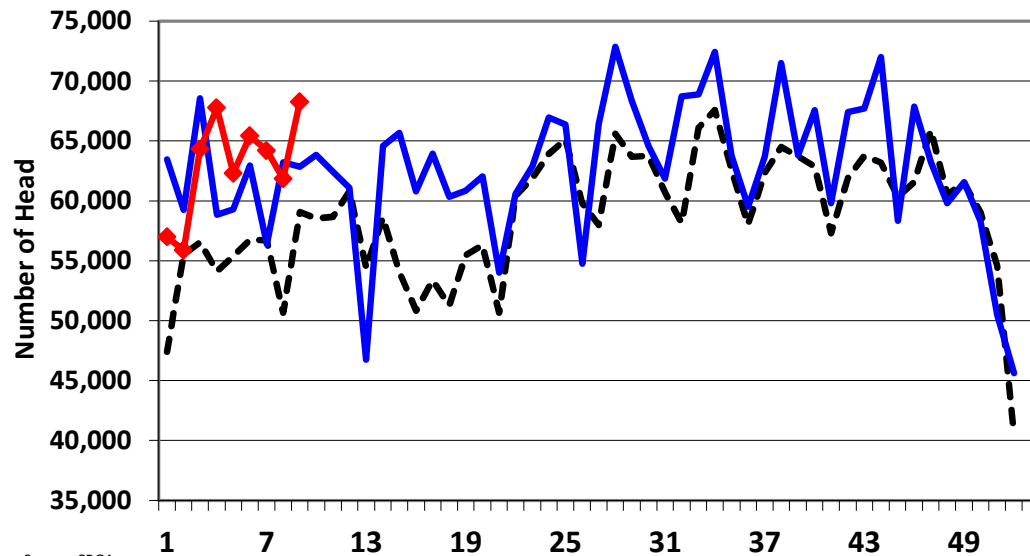
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Total FI slaughter is up 2% YTD, Fed cattle slau is up 2% YTD

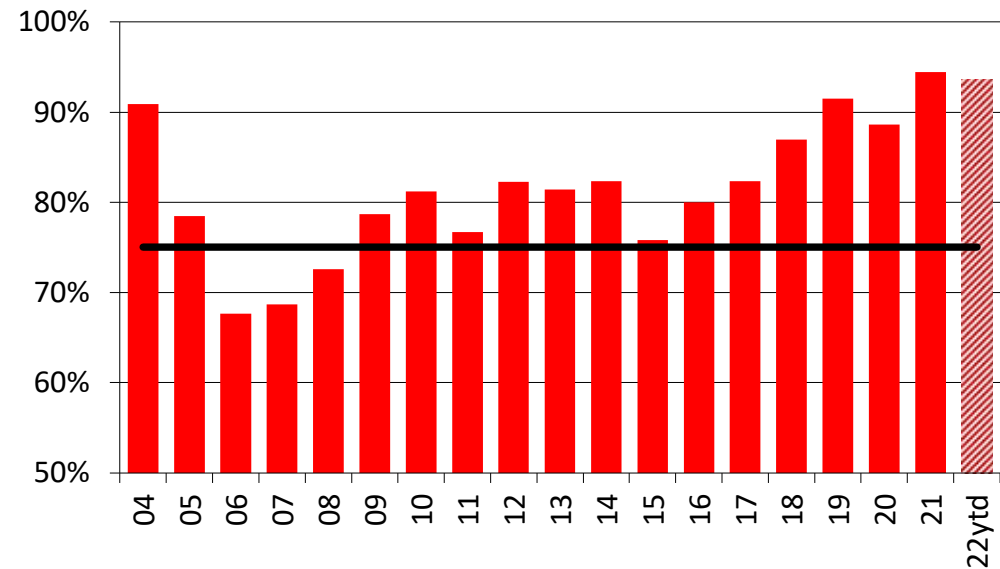
Canadian Weekly F.I. Slaughter

--- 5 yr avg — 2021 —◆ 2022



Source: CBGA

Canadian Federally Inspected Slaughter
Estimated Utilization Rate



Source: Canfax Research, CBGA

- Fed cattle: west +3%, east -4%
- Packer Utilization 94% in 2021 and YTD



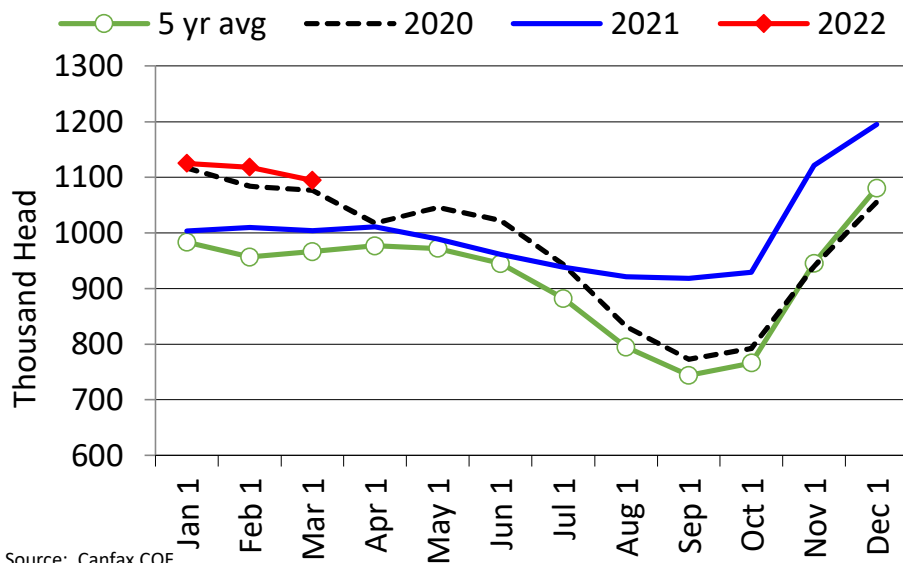
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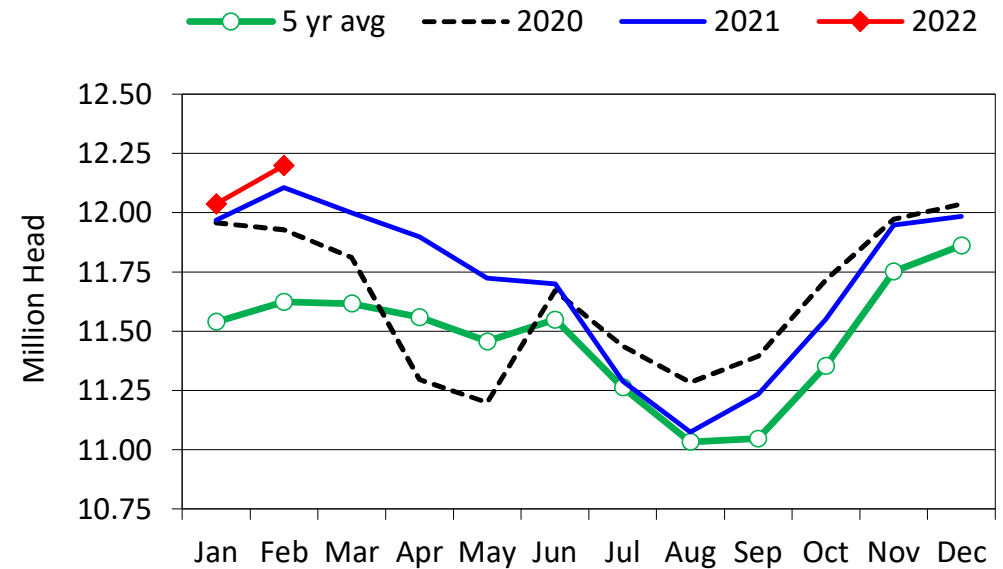
COF numbers remain large in US and Canada; ample front-end supplies

Alberta and Saskatchewan
Cattle on Feed



Source: Canfax COF

US Monthly Cattle on Feed



Source: USDA

Mar 1 AB/SK up 9% LY and 13% 5yr



CANADA BEEF

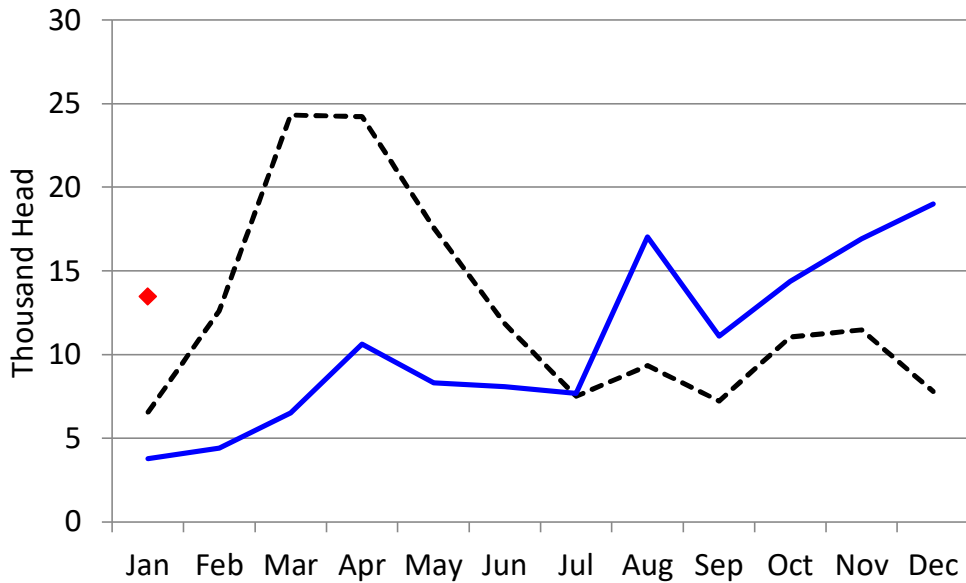
MARKET UPDATE



**Feeder exports 13,480 head in January 2022,
Feeder imports 20,670 head – still a net importer**

Canadian Feeder Cattle Exports

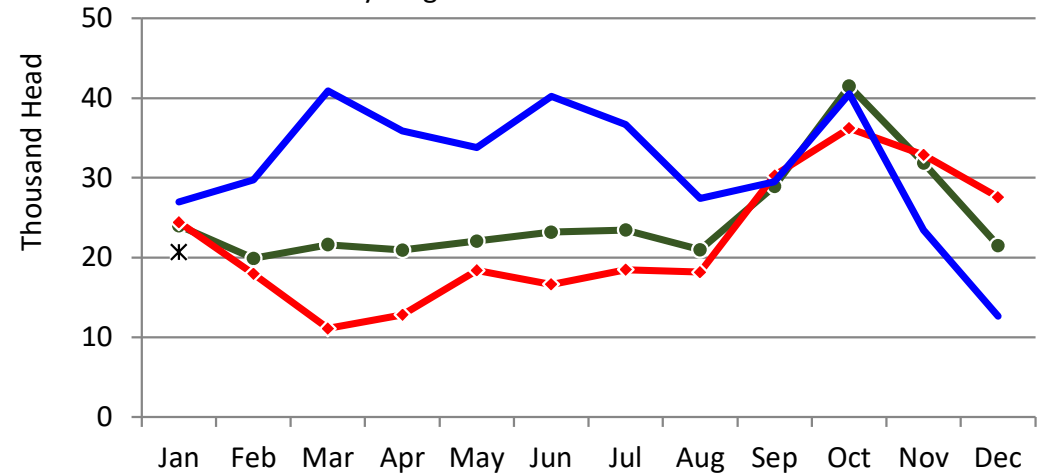
----- 5 yr avg — 2021 —◆— 2022



Source: Statistics Canada

Live Beef Cattle Imports (excluding pure-bred breeding) from the United States

—●— 3 yr avg —◆— 2020 — 2021 —*— 2022



Source: Statistics Canada

2H of 2021 net feeder imports similar to prior year.



CANADA BEEF

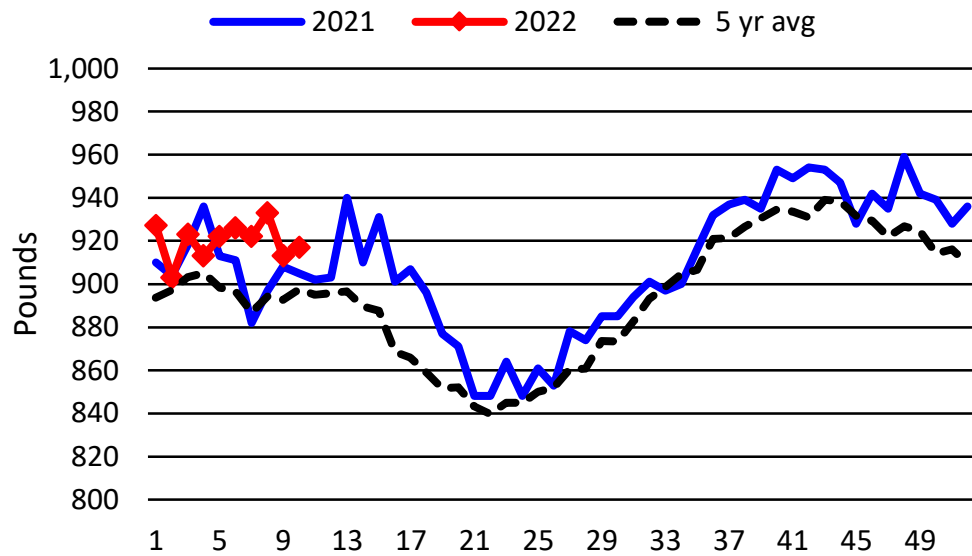
MARKET UPDATE



West: 917 lbs are up 12 lbs from last year

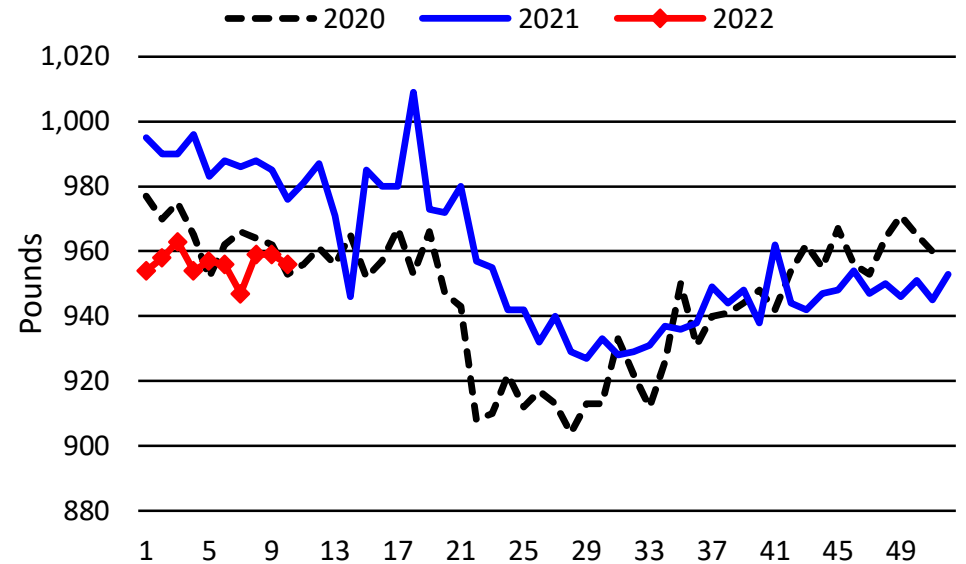
ON: 956 lbs are down 20 lbs from last year, similar to 2020

Western Canada Steer Carcass Weight



Source: CBGA

Ontario Steer Carcass Weight



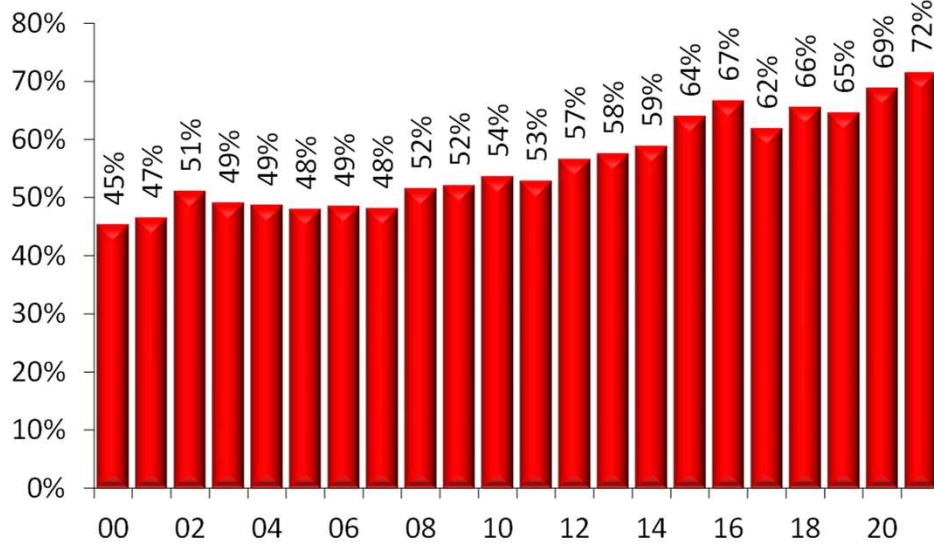
Source: CBGA

MARKET UPDATE



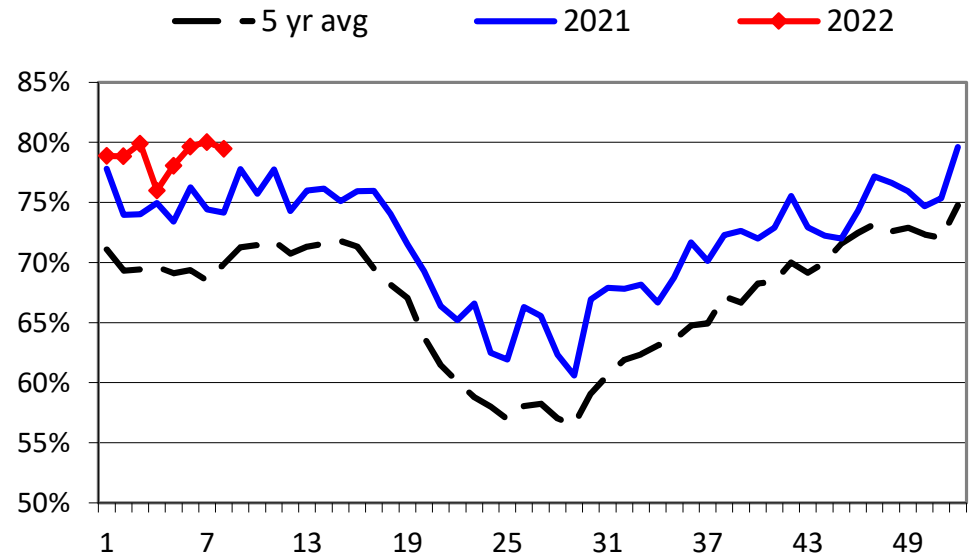
Prime + AAA as a percentage of all grades up at 78.8% YTD After new annual high of 72% in 2021

Canadian AAA + Prime as a % of all A Grades



Source: CBGA

Canadian AAA+Prime as % of all A Grades



Source: CBGA



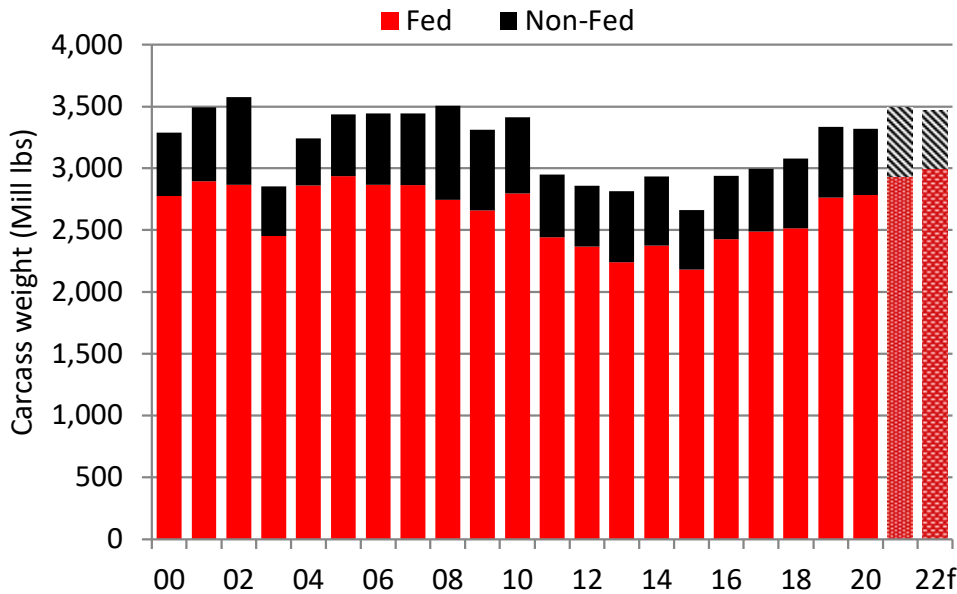
CANADA BEEF

MARKET UPDATE



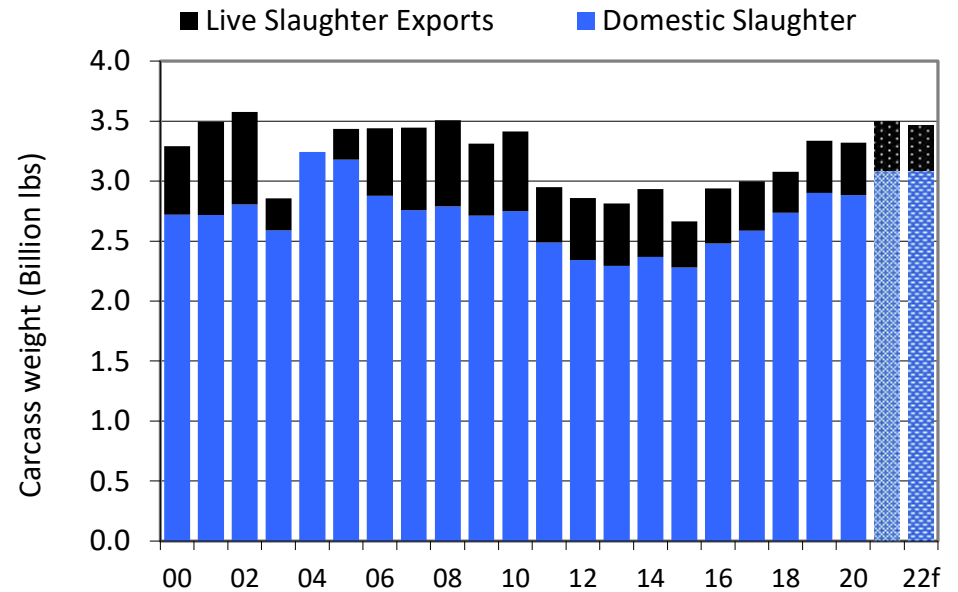
Total Beef Production -1% in 2022p, domestic steady, exports -7%
Fed +2% and non-fed -16%

Canadian Beef Production



Source: Canfax Research

Canadian Beef Production



Source: Canfax Research

YTD Domestic beef production +1% Fed +1% non-fed n/c

North American Drought Monitor

February 28, 2022
(Released Tuesday, Mar. 15, 2022)

<https://www.ncdc.noaa.gov/temp-and-precip/drought/nadm/>

Analysts:

- Canada - Trevor Hadwen
Alyssa Klein
- Mexico - Minerva Lopez
Yenifeer Loranca
- U.S.A. - Brad Rippey
Mark Svoboda*

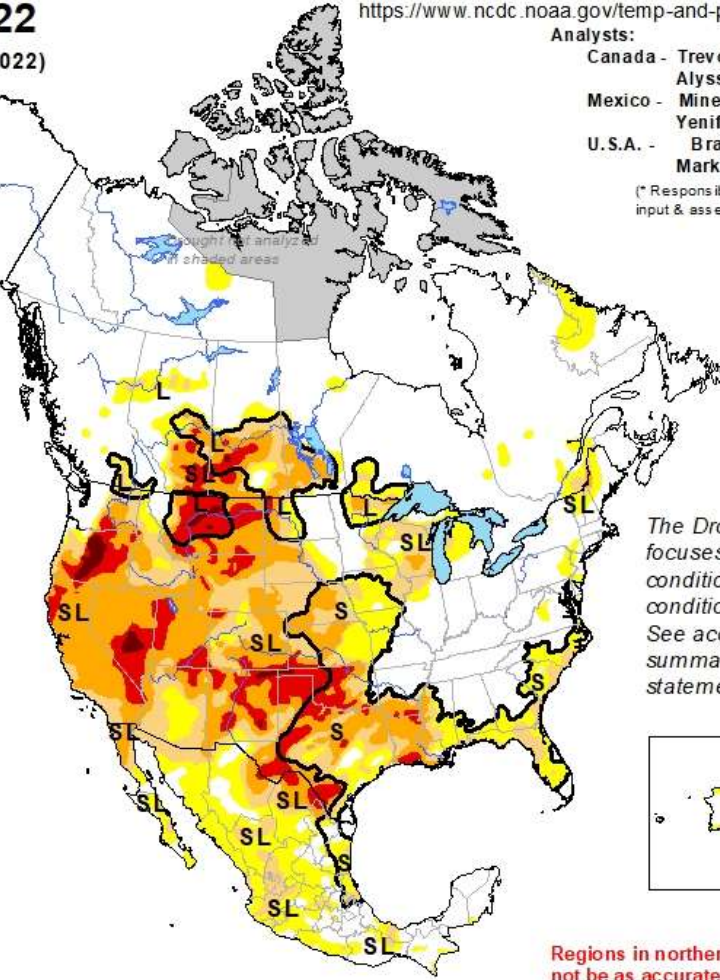
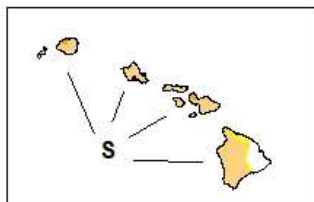
(* Responsible for collecting analysts' input & assembling the NA-DM map)

Intensity

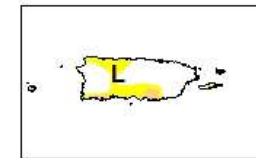
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

Drought Impact Types:

- ~ Delineates dominant impacts
- S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.



Regions in northern Canada may not be as accurate as other regions due to limited information.



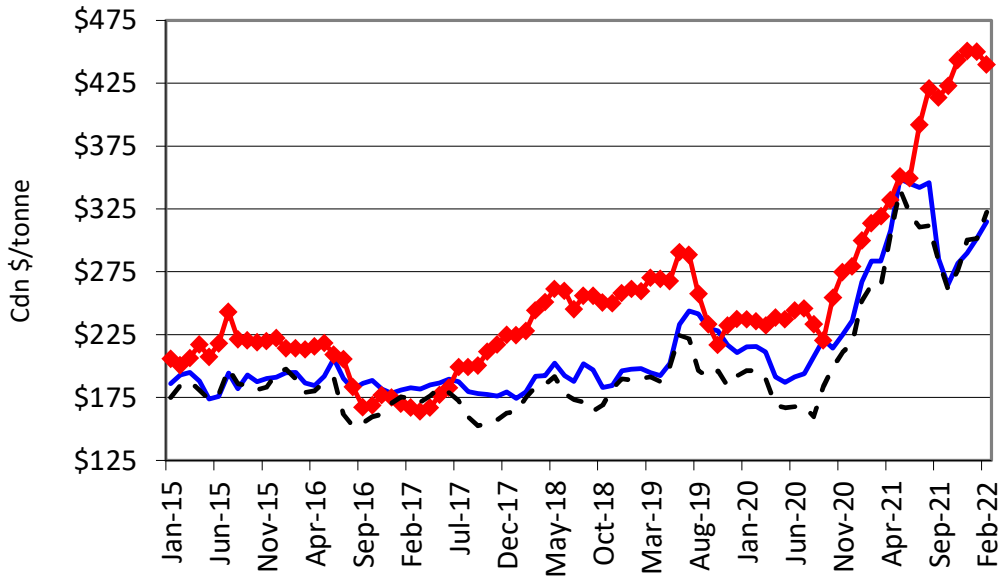
MARKET UPDATE



Feed grain price volatility! Competition for acres will drive prices this spring

Feed Grain Prices

— Ontario Corn —◆— Lethbridge Barley - - - Omaha Corn



Source: Cattle-Fax, BFO



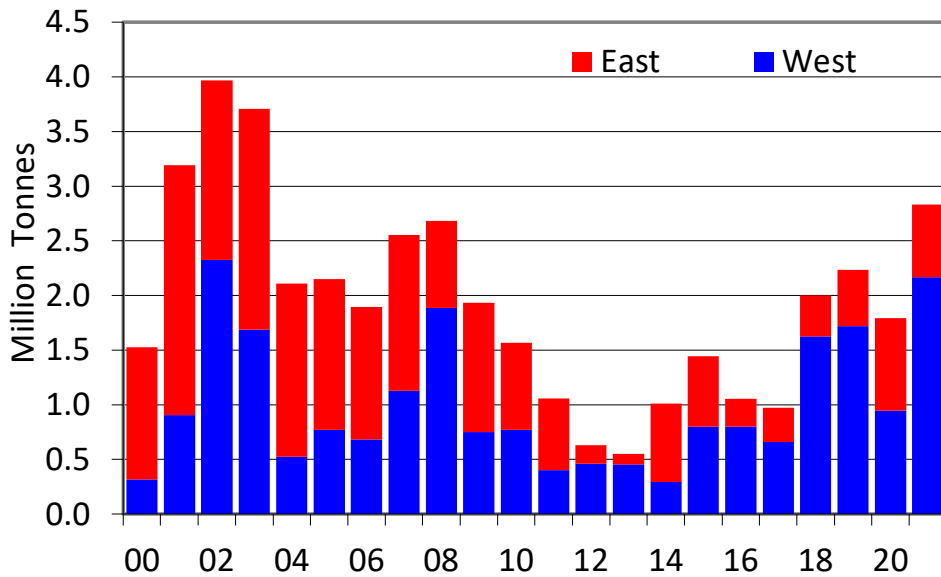
CANADA BEEF

MARKET UPDATE



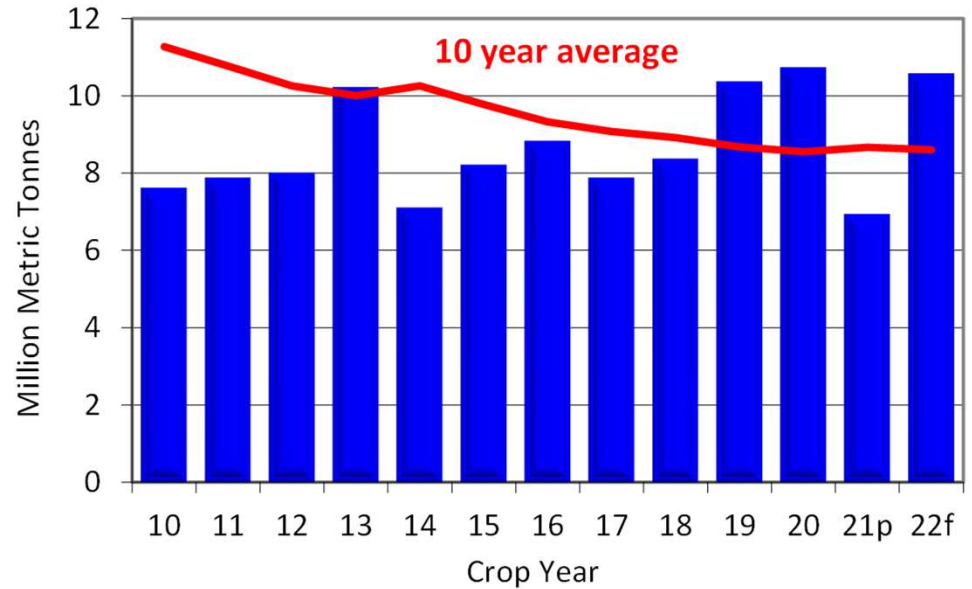
Stats Can projecting barley back to 10.59 million tonnes in 2022 ??

Canadian Corn Imports - West vs. East



Source: Statistics Canada

Canadian Barley Production



Source: AAFC, Statistics Canada

Barley acres 8.15 million acres; yield up 55% from 2021 but still 6% below 2020



CANADA BEEF



PORTS



Export Markets

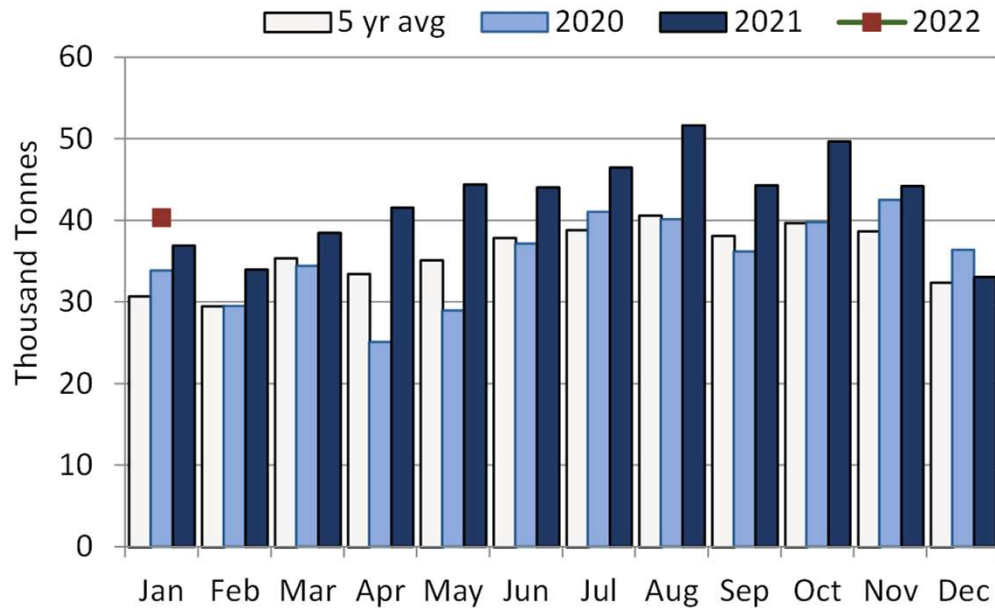


MARKET UPDATE



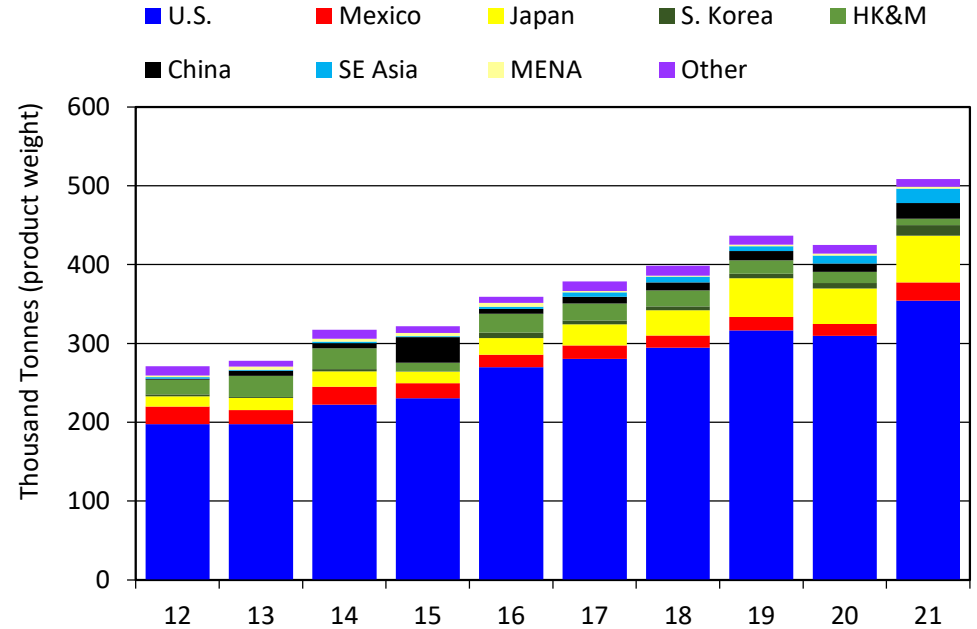
2021 Beef Exports 508,000 tonnes (+20%) and \$4.4 billion (+37%)

Canadian Monthly Beef and Veal Exports



Source: Statistics Canada

Canadian Beef Export Volume



Source: Statistics Canada, CFIA

In January 2022, Canadian beef export volumes were up 9% in volume and 37% in value.



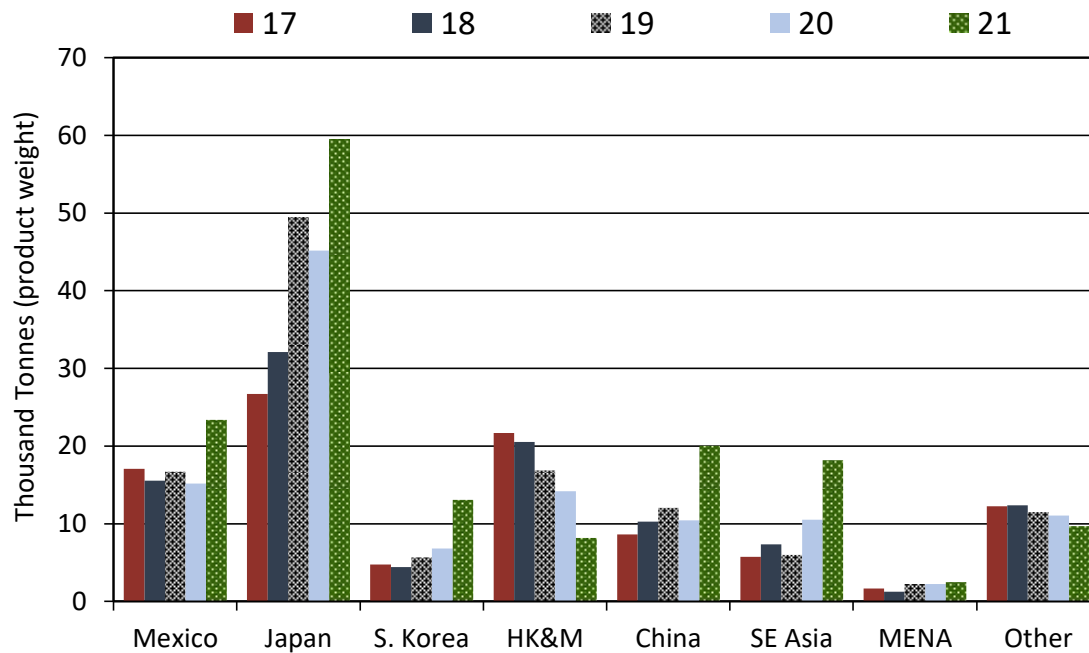
CANADA BEEF

MARKET UPDATE



Big gains to Japan (32%), Mexico (54%), South Korea (92%), China+HK (15%) and SE Asia (73%)

Canadian Beef Export Volume



Overall exports to Asia are close to 120,000 tonnes

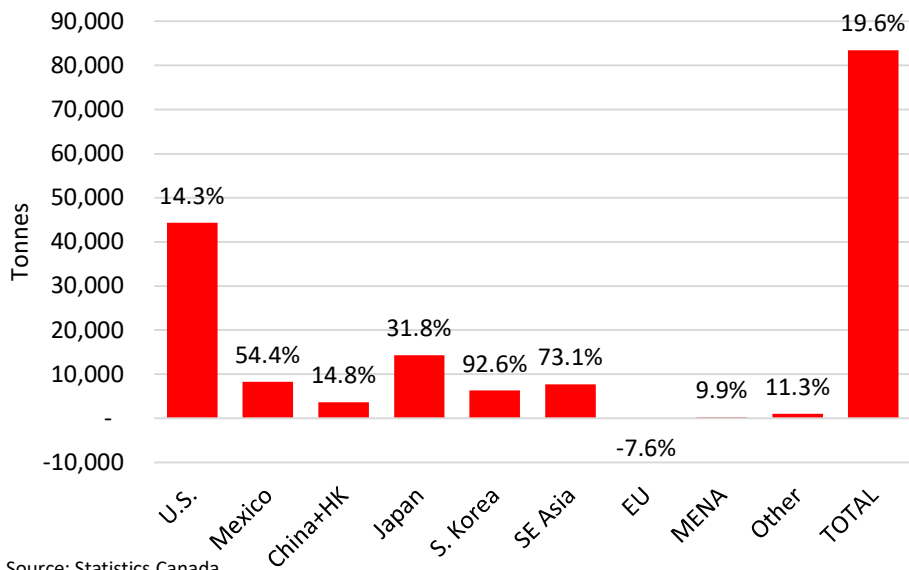
Source: Statistics Canada, CFIA

MARKET UPDATE



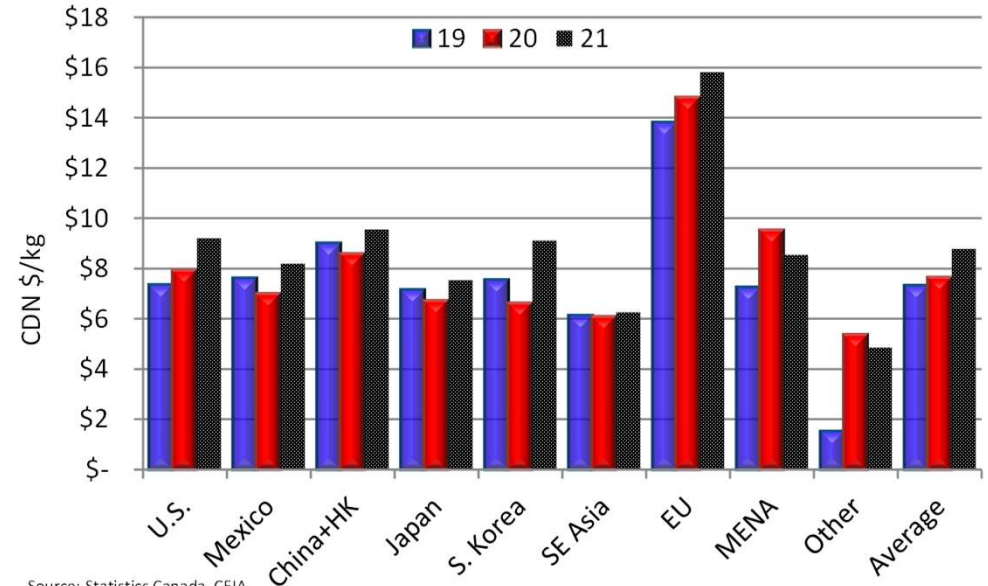
Growth in both volumes and higher per unit prices: avg per unit export price +15% in 2021 to new record high

Change in Beef Exports 2020 to 2021f



Source: Statistics Canada

Per Unit Value of Exports by Destination



Source: Statistics Canada, CFIA



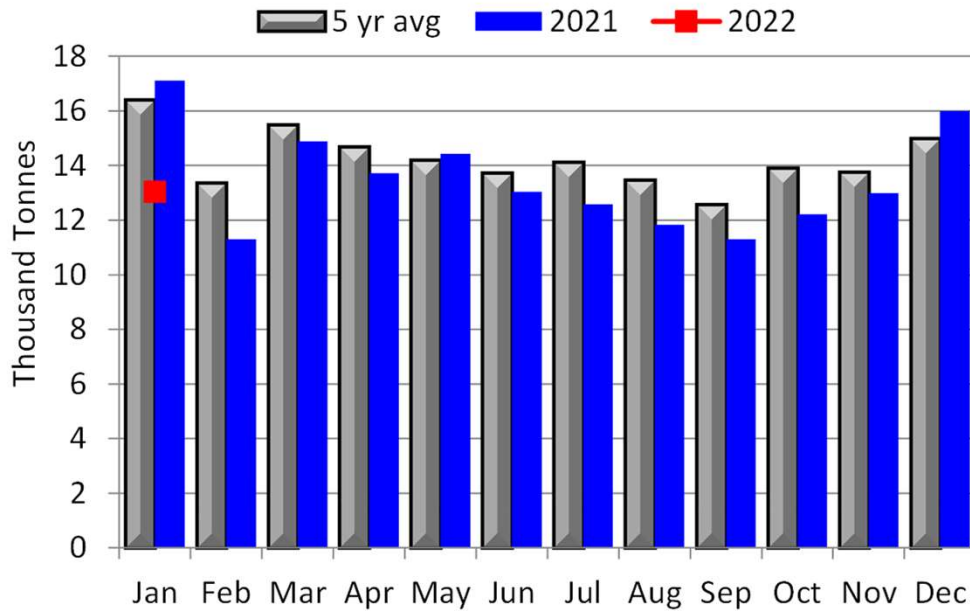
CANADA BEEF

MARKET UPDATE



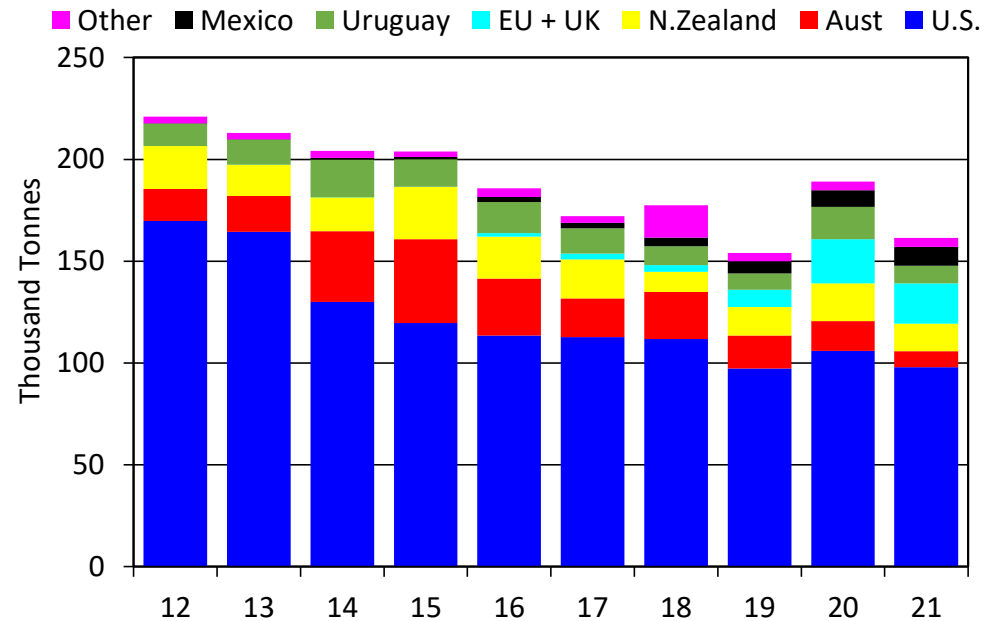
2021 Imports ↓ 15% to 161,000 tonnes
Non-NAFTA imports ↓17% at 54,000 tonnes

Canadian Monthly Beef and Veal Imports



Source: Statistics Canada

Canadian Beef Imports



Source: Statistics Canada

In January 2022, beef imports were down 24% in volume and 6% in value.



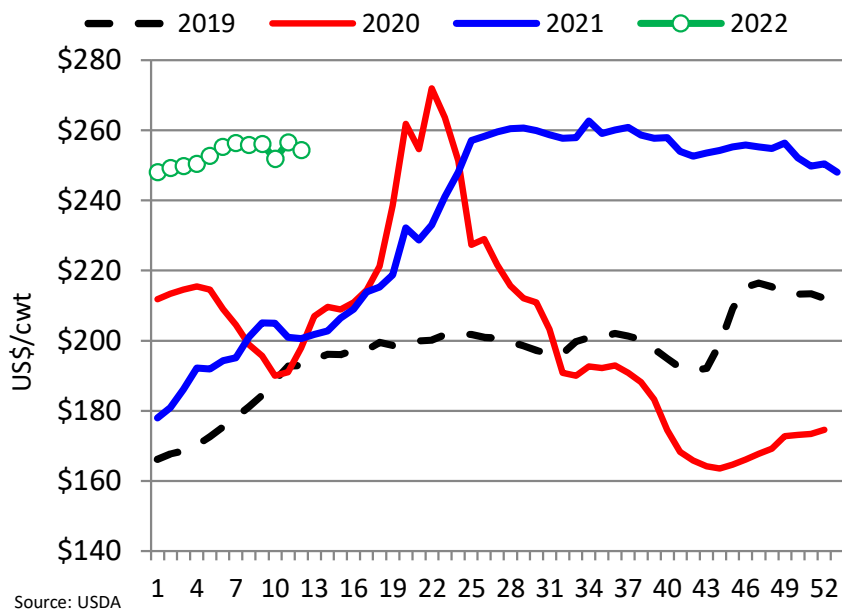
CANADA BEEF

MARKET UPDATE

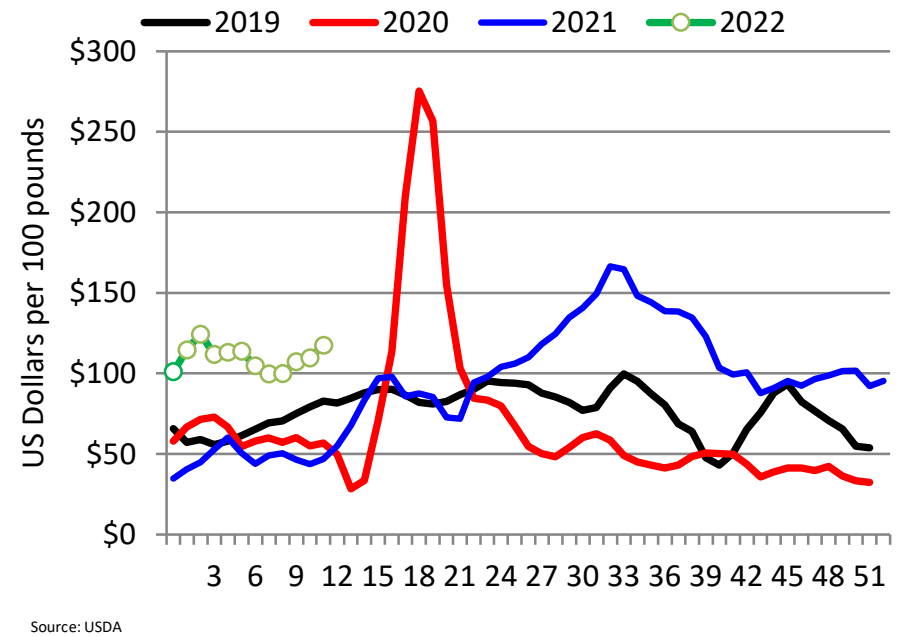


85% Lean trim prices sustained at high levels 50% trim prices historically strong

US Weekly 85% Trim Values



US Weekly 50% Trim Values



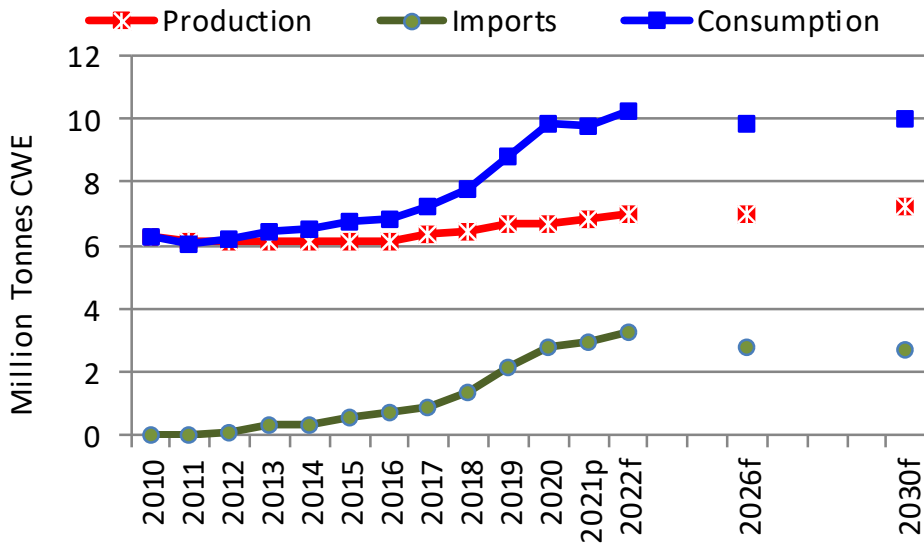
CANADA BEEF

MARKET UPDATE



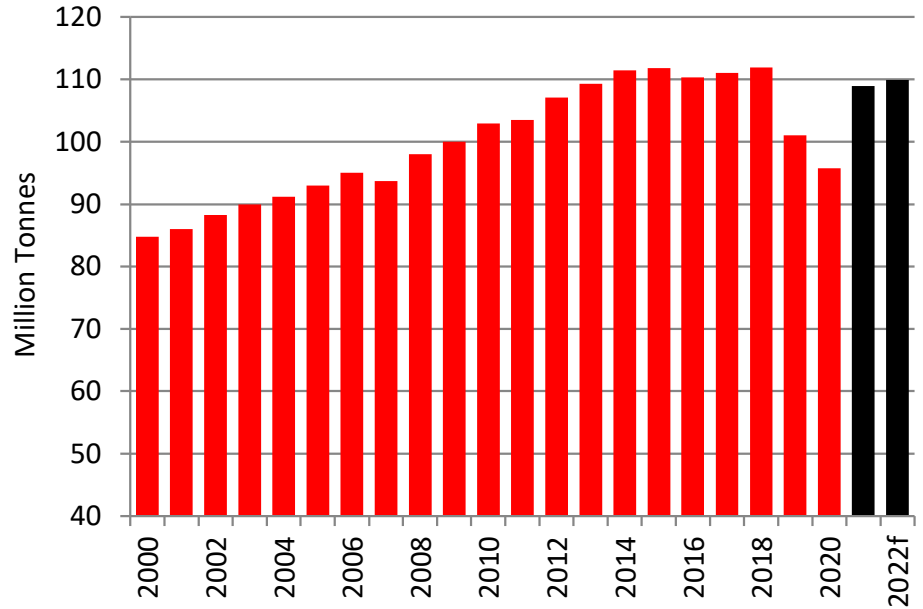
Global Pork production rebounded in 2021: *Chinese Beef imports projected up 8% or 250,000 tonnes in 2022*

China Beef Disposition



Source: USDA, FAS PSD, FAO

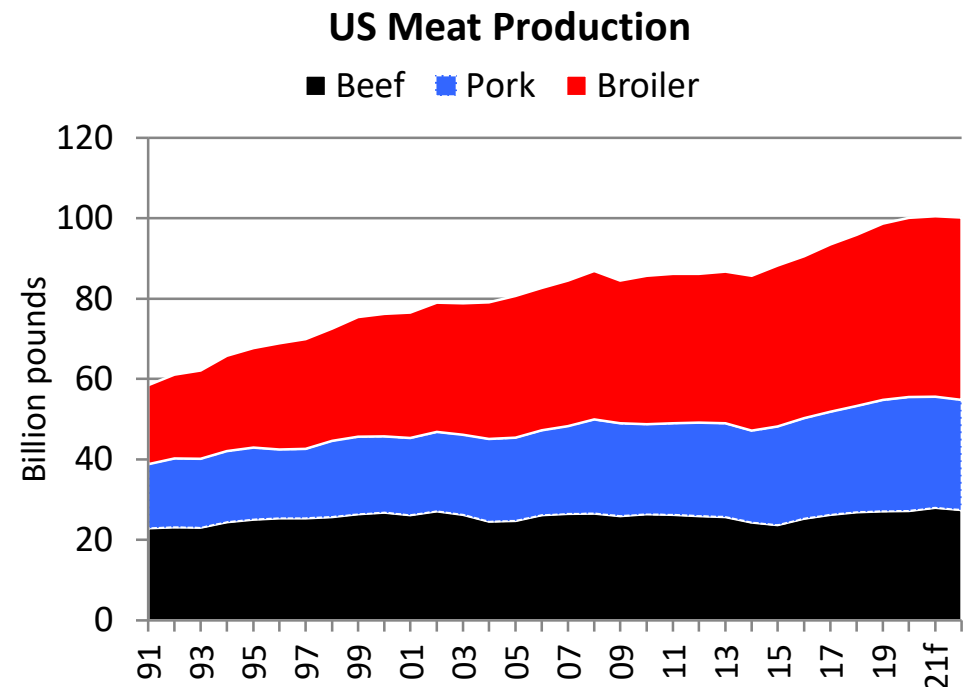
Global Pork Production





U.S. protein production stable in 2022, shifts in exports

- Beef production +2.8% in 2021, **-1.3% in 2022p**
 - Domestic Consumption +2.7% in 2021, -1% in 2022p
 - Exports +16.8% in 2021, -4% in 2022p
- Pork production -2.2% in 2021, **-1.3% in 2022p**
 - pork exports -3.4% in '21, -4% in '22p
- Poultry production will be record large **+0.7%**, BUT pressured by feed prices and HPAI

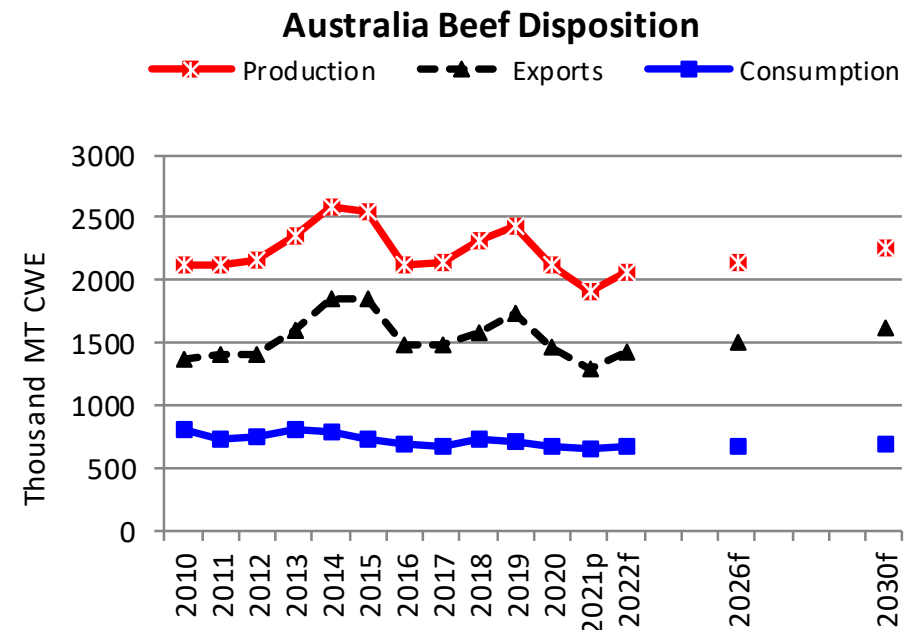


Source: USDA

MARKET UPDATE

Australia: production +13% in 2022p & exports +15% MLA

- Beef production **-12% in 2021, +13% in 2022p**
 - Sharp drop in production in 2021, to rebound in '22
 - 50% of beef was grainfed in 2021
- Exports **-12% in 2021, +15% in 2022p**
 - larger beef production will support exports and domestic supplies (-1%), lean trim prices will remain strong
- Australia is one of Canada's main competitors in Japan, the US, China and South Korea.



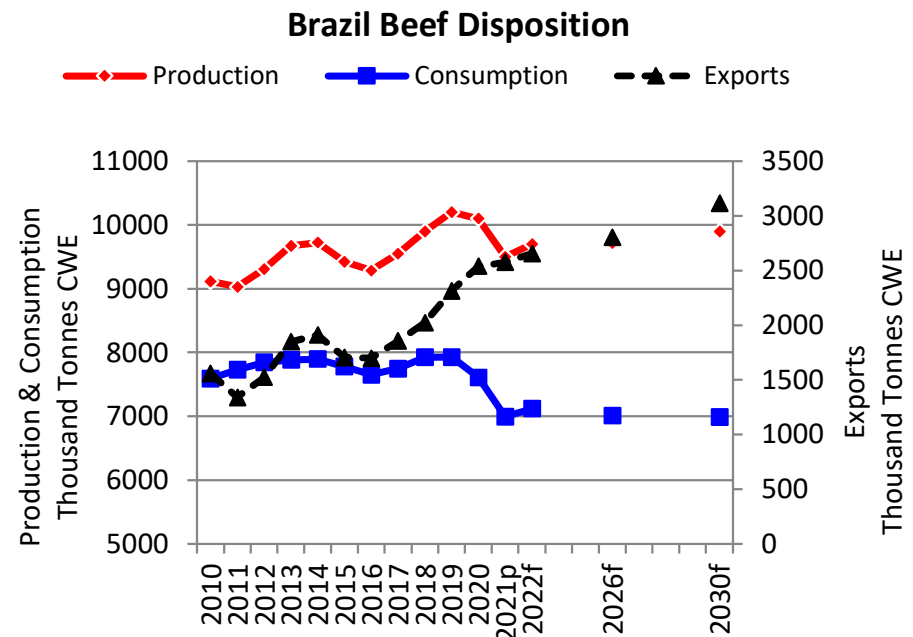
Source: USDA, FAS PSD, FAO

MARKET UPDATE



Brazil beef production +2% in 2022p and exports +3%

- Beef production -6% in 2021, +2% in 2022p
 - Contraction of production appears to have bottomed in 2021, moving into an expansion phase??
 - Long-term looking at larger supplies and export growth
- Beef exports +1.4% in 2021, +3% in 2022
 - 50% of exports going to China Jan-Sept 2021
 - BSE ban disrupted markets and prices to producers
- Domestic Consumption -8% in 2021, +1.8% in 2022p
 - Softer domestic demand and strong pull from China shift product to exports



Source: USDA, FAS PSD, FAO



Factors to Watch

- **Strong Red Meat Demand** – domestic and international
 - Beef exports supported by domestic production levels
 - Supporting the futures market
- **Leverage** – potential for tighter fed supplies in 2H
 - Feedlot capacity 19% larger since 2015, reliant on feeder imports to fill pens
 - depends on placements
- **Slaughter & Costs**
 - Packers prioritizing fed cattle (W), or cows (E)
 - Higher grain, lower profitability (how long?)
 - Global production response? Demand from food insecure nations
- **Price Inflation of inputs > outputs**
 - A risk to profitability and equity



Thank-you

